2012
Annual Report

Pay Fare • Paiement
PRESTO

Office of the
Auditor General
of Ontario

Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you the *2012 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

Jim McCarter, FCA
Auditor General

Fall 2012

Copies of this report are available for $9.00 from Publications Ontario: (416) 326-5300 or toll-free long distance 1-800-668-9938. An electronic version of this report is available on the Internet at **www.auditor.on.ca**

© 2012, Queen's Printer for Ontario

Ce document est également disponible en français.

ISSN 1719-2609 (Print)
ISBN 978-1-4606-0348-2 (Print, 2012 ed.)

ISSN 1911-7078 (Online)
ISBN 978-1-4606-0349-9 (PDF, 2012 ed.)

Cover photograph credits:
top right: Dick Hemingway Photographs
middle left: © Tetra Images/INMAGINE.com
middle centre: © iStockphoto.com/ssuaphoto
bottom left: Office of the Auditor General of Ontario/Mariana Green
bottom centre: © iStockphoto.com/mevens, HooRoo Graphics

Table of Contents

Chapter 1 **Overview and Summaries of Value-for-money Audits and Reviews** 5

Chapter 2 **Public Accounts of the Province** 27

Chapter 3 **Reports on Value-for-money Audits and Reviews** 45
- Section 3.01 Cancer Screening Programs 46
- Section 3.02 Criminal Prosecutions 65
- Section 3.03 Diabetes Management Strategy 82
- Section 3.04 Drive Clean Program 107
- Section 3.05 Education of Aboriginal Students 129
- Section 3.06 Independent Health Facilities 149
- Section 3.07 Legislative Estimates Review Process 171
- Section 3.08 Long-term-care Home Placement Process 185
- Section 3.09 Metrolinx—Regional Transportation Planning 205
- Section 3.10 Ontario Provincial Police 230
- Section 3.11 Tax Collection 258
- Section 3.12 University Undergraduate Teaching Quality 273
- Section 3.13 Youth Justice Services Program 292

Chapter 4 **Follow-up on 2010 Value-for-money Audits** 318
- Section 4.01 Casino Gaming Regulation 319
- Section 4.02 Discharge of Hospital Patients 325
- Section 4.03 Family Responsibility Office 333
- Section 4.04 Home Care Services 343
- Section 4.05 Hospital Emergency Departments 349
- Section 4.06 Infrastructure Asset Management at Colleges 358
- Section 4.07 Infrastructure Stimulus Spending 365
- Section 4.08 Municipal Property Assessment Corporation 372
- Section 4.09 Non-hazardous Waste Disposal and Diversion 382
- Section 4.10 Organ and Tissue Donation and Transplantation 392
- Section 4.11 School Safety 400

Chapter 5 **Review of Government Advertising** 407

Chapter 6 **The Standing Committee on Public Accounts** 420

Chapter 7 **The Office of the Auditor General of Ontario** 423

Exhibit 1 **Agencies of the Crown** 449
Exhibit 2 **Crown-controlled Corporations** 450
Exhibit 3 **Treasury Board Orders** 452

Chapter 1

Overview and Summaries of Value-for-money Audits and Reviews

Overview

MAKING TOUGH FISCAL CHOICES

Ontario is not alone in facing some tough challenges to get its fiscal house in order. One of the impacts of the recent global recession is that Ontario, like many other jurisdictions, has been spending far more than it has been collecting in revenues. And just like a household that spends significantly more than it earns by borrowing the extra money, this practice can only be continued for so long. The Ontario government recognizes this, and, as the Minister of Finance said in the 2011 Budget, "To overcome this challenge, the government must renew its focus on deficit reduction."

Given the challenging fiscal times, making significant inroads in reducing the deficit will be no easy matter. Consequently, in many of this year's value-for-money audits, we paid particular attention to looking for efficiencies and cost savings. Our observations in this regard are summarized in the following subsections.

Criminal Prosecutions

Crown attorneys in the Criminal Law Division of the Ministry of the Attorney General prosecute criminal charges laid by police forces across Ontario. The number of Crown attorneys employed has more than doubled over the last two decades, even though the number of criminal charges disposed of each year has remained relatively constant. Factoring in the increasing complexity of today's legal environment, the Division needs to determine how many Crown attorneys there should be at each local office and should make much better use of the information it has on the relative workloads, efficiency and effectiveness of its Crown attorneys.

Diabetes Management Strategy

The number of people with diabetes in Ontario has more than doubled from 546,000 in 2000 to 1.2 million in 2010 and is projected to grow to 1.9 million by 2020. Type 1 diabetes, which accounts for 10% of diabetes cases, is not preventable; however, Type 2 diabetes, which accounts for the other 90%, is largely preventable with lifestyle changes that include healthier eating and exercise. In 2008, the Ministry of Health and Long-Term Care implemented a four-year, $741-million diabetes strategy. We found that, to date, the results have been mixed, in that while the availability of care for people with diabetes has definitely improved, many services were underused and, in some cases, duplicated. As well, we noted that 97% of the funding was earmarked for treating people who already had diabetes, with only 3% being allocated for prevention initiatives.

Independent Health Facilities

Ontario has about 800 health facilities that are independently owned and operated, with about 50% being owned or controlled by physicians. These facilities provide primarily diagnostic services, such as x-rays, ultrasounds and CT scans. We suggested the Ministry review facility billings for unusual billing patterns and review whether the facility fees being paid are appropriate in relation to the actual costs of providing the services. We also noted that in 2009, the Canadian Association of Radiologists observed that as many as 30% of CT scans and other imaging procedures across Canada contribute no useful information or are inappropriate. The Ministry of Health and Long-Term Care's own estimate was that about 20% of independent health facility fee billings are likely inappropriate.

Long-Term-Care Home Placement Process

Many people are in hospital longer than medically necessary waiting for a long-term-care bed, even though this is detrimental to their health, is more expensive than community-based alternatives such as home care or placement in a long-term-care home, and limits the availability of hospital beds for other patients with more complex health-care needs. However, 19% of people waiting in hospital for a long-term-care bed had applied to only one long-term-care home, even though their selected home may have a long wait list.

Metrolinx—Regional Transportation Planning

Metrolinx is an agency of the Ontario government that is responsible for implementing an integrated transportation system in the greater Toronto and Hamilton area over the next 25 years at an estimated cost of $50 billion. Our review of several significant projects costing hundreds of millions of dollars indicated that Metrolinx must strengthen its processes relating to infrastructure investment, procurement and cost control.

Ontario Provincial Police

Over the last two decades, crime rates across Canada have declined by more than 40%, and Ontario has been part of this trend. As well, the number of serious motor vehicle accidents has been trending down in recent years and calls for service to the Ontario Provincial Police (OPP) have remained stable since our last audit in 2005. However, OPP expenditures (excluding recoveries for police services provided to municipalities) have increased 27% over the last five years because more officers have been hired, compensation increases have exceeded inflation and cost-savings opportunities we previously identified had not been adequately acted upon. We noted that the OPP could reduce its operating costs by improving its staff deployment practices and better controlling overtime.

Tax Collection

Most taxes owing to the province are remitted voluntarily, but some are not, and the Ministry of Finance's Collections Branch is responsible for collecting most of these taxes. The Branch estimates that, as of March 31, 2012, it may need to write off about $1.4 billion of the $2.46 billion in outstanding taxes that it is responsible for collecting. While there have been some improvements to the Branch's collections processes in the last few years, we found that the Branch was often not taking appropriate action on a timely basis and was not using all the strategies at its disposal to maximize the amount of unpaid taxes it collects.

Youth Justice Services Program

The Youth Justice Services program of the Ministry of Children and Youth Services provides community and custodial programs and services primarily to young people aged 12 to 17 who are either awaiting trial or have been found guilty by a court of a criminal charge. From the 2005/06 to the 2010/11 fiscal years, total program expenditures increased by 25%–30%, even though the number of youths served increased by only 4%. And in the last five years, even though the number of youths in Ministry-operated secure facilities decreased by 37%, the number of ministry youth services officers at these facilities increased by 50%.

ENHANCING SERVICES TO THE PUBLIC

Providing public services as cost-effectively as possible is critical to managing Ontario's current fiscal situation. However, ensuring that the public is getting the best level of service possible for the funding being provided is equally important. We therefore also made service delivery—the level of service provided and the processes followed in offering those services—a key focus of some of our audits. Our observations in this regard are summarized in the following subsections.

Cancer Screening Programs

Screening that detects certain types of cancer at an early stage can have a major impact on mortality rates. Cancer Care Ontario (CCO) is the provincial agency responsible for co-ordinating and overseeing the provision of such screening services. Our audit assessed whether CCO used established clinical evidence to decide what types of cancer warranted formal screening programs and how effective CCO was in achieving high screening participation rates. Overall, we found that CCO had implemented a number of good processes but was having difficulty meeting its participation-rate targets, especially for those segments of the population deemed to be at a high risk for certain types of cancer.

Drive Clean Program

The mandatory Drive Clean vehicle-emissions-testing program has been in place since 1999. Vehicle emissions have declined significantly since then and are no longer among the major domestic contributors to smog in Ontario. While this is due partly to the Drive Clean program, newer vehicles with improved vehicle-emission-control systems and cleaner fuel requirements have had a larger impact on reducing overall vehicle emissions. We encouraged the Ministry to ensure that future policymakers are provided with current information on the program's cost-effectiveness and its impact on reducing smog, especially outside of Ontario's larger cities and in relation to other provincial and federal government initiatives, to ensure the program continues to provide value for the fees charged to drivers.

Education of Aboriginal Students

Many aboriginal students face challenges—such as poverty, substandard housing, poor nutrition and minimal employment prospects in their community—that affect their academic achievement. There is a significant gap between the percentage of the general Ontario population that has graduated from high school and the percentage of aboriginal adults that has done so. Six years ago, the Ministry of Education identified closing this gap as a ministry priority and developed a good framework to guide the development of support programs and to track its progress in reducing the gap. However, we found that the Ministry has not adequately overseen local school boards' implementation of the framework and has not formally assessed whether any progress has been made in closing the academic achievement gap. Information we examined suggests that little substantive progress has been made to date.

University Undergraduate Teaching Quality

From the perspective of the Ministry of Training, Colleges and Universities, a university's most important role is to do a good job teaching its students and preparing them for the future workforce. We believe that students, their parents and the public would agree. Accordingly, we reviewed the processes that three universities had in place to periodically assess and report on the performance of those teaching undergraduate students. We also surveyed Ontario's other 17 universities on some of their practices in this area. As part of these practices, all Ontario universities, including the three visited, reported that they had formal processes in place to enable undergraduate students to evaluate each course they took. However, at least at the universities we visited, little aggregate analysis of these student evaluations was being done, and only about one-quarter of the universities responding to our survey indicated they make any summarized results of these evaluations available to students to help them select their courses.

FINANCIAL OVERSIGHT AND ACCOUNTABILITY

Annual Reporting of Financial Results

While our value-for-money audit work usually draws the most attention from the Legislature, the public and the media, financial audit work is also a crucial responsibility of our Office. Annual reporting of financial results, whether those of the province or those of the province's many Crown agencies and corporations, has long been considered an essential component of the government's financial accountability to Ontarians. But the accountability loop is not closed until the Legislature and the public are assured that the reported results are, in fact, fairly stated.

Accordingly, our Office audits the financial statements of the province and many of its Crown agencies, such as the LCBO, the Ontario Securities Commission, Ontario Place and many others. In some cases, such as with the financial statements of Cancer Care Ontario and the Public Guardian and Trustee, we engage private-sector auditors to do this work on our behalf.

I am pleased to report that for the 19th straight year, the Office was able to provide the Legislature and the public with the assurance that the consolidated financial statements of the province—the largest audited entity in Ontario—were fairly presented in accordance with generally accepted accounting principles as established by the Canadian Institute of Chartered Accountants. I can also report that we concluded that the financial statements of the many Crown agencies that we audited this year were also fairly presented.

Legislative Estimates Review Process

Given that the government spends over $120 billion a year on public services and that we last reviewed the estimates review process more than 15 years ago, we decided to revisit this area in 2012.

We researched the estimates review practices of other jurisdictions with similar parliamentary systems, such as the United Kingdom and Australia, and interviewed nine currently serving MPPs—three from each of the major political parties—who have sat on the Standing Committee on Estimates. We also met with three retired long-serving MPPs—one from each of the parties—who together had served a combined total of 80 years as elected MPPs in Ontario's Legislature.

The consensus of both the current and former MPPs was that the process was still not that effective as a means of scrutinizing proposed government expenditure plans. However, almost everyone we spoke to said that it was still a good accountability mechanism in that it was the only real opportunity outside of question period for questioning a Minister on the policies and expenditures of his or her ministry.

OTHER WORK

Advertising Review and Approval

The *Government Advertising Act, 2004,* requires that our Office review most proposed government advertising to ensure that it is not partisan in nature. We reviewed 565 individual advertising items this year. The results of our work in this area can be found in Chapter 5. This year, for the first time, the spending on Internet advertising exceeded spending on television advertising (excluding ad production costs)—yet Internet advertising is not covered by the Act.

Special Audits

Under the *Auditor General Act*, we perform assignments as may be required by the Legislature, by a resolution of the Standing Committee on Public Accounts, or by a minister of the Crown. We normally table these audit reports on completion rather than including them in our Annual Report. This year we completed one special audit report, Ornge Air Ambulance and Related Services. We began this audit in 2011 and were asked to table it on completion. We did this in March 2012. To date, this audit report has been the subject of 17 hearings before the Standing Committee on Public Accounts.

Looking Back Over a Decade of Annual Reports

This is the 10th Annual Report I have had the honour of tabling with the Legislative Assembly. In looking back, I think the most fitting adage to describe these 10 years is "how time flies." Much has happened over the past decade from the perspective of my Office and the work we do on behalf of the Legislature and the people of Ontario.

I thought that it would be useful to provide an overview of some of the more significant events that have had an impact on the work of the Office as the independent watchdog that provides elected members and the public with objective information on how well the government is taking care of our tax dollars. As well, I offer a few forward-looking thoughts and some good news.

VALUE-FOR-MONEY AUDITING IN THE BROADER PUBLIC SECTOR

Undoubtedly, the most significant event for the Office in the past decade has been the Legislature's decision to expand our mandate in late 2004 to allow us to conduct value-for-money audits of organizations in the broader public sector. These organizations include hospitals, school boards, colleges and universities, long-term-care homes, social service agencies such as Children's Aid Societies and hundreds of other organizations that provide services to the public. In total, about 40% of Ontario government expenditures, or about $47 billion, goes to these broader-public-sector entities.

We have been diligent in pursuing this expanded mandate by conducting audits across virtually the whole spectrum of organizations in the broader public sector. This has included everything from assessing the detection and prevention of infectious diseases in hospitals and long-term-care homes to reviewing the teaching of undergraduate students at universities; and from reviewing the purchasing of goods and services at school boards, colleges and the hydro corporations to probing the interrelationship between patient care at hospital emergency departments, discharge of patients from hospitals, and the provision of home care and long-term care. The focus of this work has always been to provide useful information on how well these services are being delivered and to point out where we believe improvements can be made.

GOVERNMENT ADVERTISING AND THE PRE-ELECTION FISCAL REVIEW

The Legislature also gave us two more responsibilities in 2004. The *Government Advertising Act, 2004*, requires the Office to review proposed government advertising to ensure that partisan ads are not paid for with taxpayer dollars. The *Fiscal Transparency and Accountability Act, 2004*, requires that the government produce a fiscal outlook report six months before a provincial election, and our Office is required to promptly review this forecast and give an opinion on its reasonableness.

Although few other jurisdictions have implemented legislation of this nature, I believe these initiatives have enhanced government accountability to the people of Ontario. Admittedly, reviewing proposed advertisements and giving an opinion on forecasts of future events are somewhat unusual pursuits for an auditor. However, I fully support the continuing role of the Office in these two areas and believe that the objective scrutiny that we bring to the process enhances the value of our Office to the Legislature and the public it serves.

SPECIAL AUDITS

Our special assignments have become more frequent in recent years, and I like to think this is because we have established a reputation for doing good work and being objective and independent in how we approach our work.

Some of these special audits have garnered a great deal of attention in the Legislature, from the media and the public, and from the Standing Committee on Public Accounts. A few reports that come to mind over the years are the Ornge Air Ambulance and Related Services audit tabled last March, our 2009 audit of eHealth, our 2007 examination of the cost to refurbish nuclear reactors at Bruce Power and our 2007 audit of the Ministry of Citizenship and Immigration's year-end grants.

OUR VALUE-FOR-MONEY TRACK RECORD

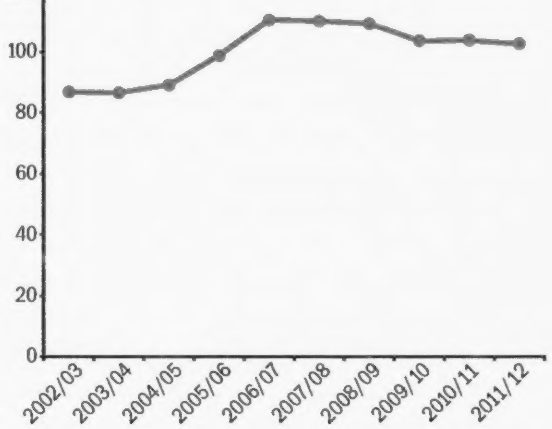
Given our focus on value-for-money auditing, a reasonable question to ask is whether our own Office operates cost-effectively and with due regard for value for money. As discussed earlier, our Office's responsibilities have expanded significantly since 2004. However, this in itself does not necessarily prove that taxpayers are getting value for money for the work done by the Office. An equally important consideration is the cost of doing this work. For instance, has there been a significant increase in staff or in the amount of money the Office is spending due to the expansion of its mandate?

In the 2011/12 fiscal year, our Office cost taxpayers $15.2 million, with the bulk of that amount going to salaries. As Figure 1 shows, our staffing has increased only slightly over the past decade, with the only noticeable bump being a small increase shortly after 2004 when our mandate was expanded in the three different areas discussed earlier. We have tried to run a tight fiscal ship so that we could undertake the work required by the expansion in our mandate without requesting significantly more funding.

When people ask about our budget, they often want to know how the size of our Office compares to that of other Auditor General offices in Canada's larger provinces. As of March 31, 2012, with a staff count of 102 people, we operated with fewer staff than the Quebec, British Columbia and Alberta audit offices. As different offices have different mandates and responsibilities, comparing the number of staff in one office to another is not a strictly apples-to-apples comparison. However, it does indicate that our staffing levels are certainly reasonable compared to those of the audit offices of the other larger Canadian provinces.

Figure 1: Number of Staff at the Office of the Auditor General, 2002/03–2011/12

Source of data: Office of the Auditor General of Ontario



LOOKING FORWARD

If one were to flip through the 10 Annual Reports that I have tabled over the past decade, one would see a myriad of recommendations that are directed to improving the operations of government. Often, each year's Annual Report contains a theme. These have ranged from "spend taxpayer money like it was your own" to the "need for better oversight" to "déjà vu," where I quoted a statement from the 1970s by Ontario's Committee on Government Productivity "that the challenges of the next decade will be very different, more complex, and more demanding than those which face us today." But if I had to pick one theme above all others that I believe the public sector must keep in mind going forward, it would be that "good decisions require good information."

Time and time again, the work of the Office has highlighted instances where decision-makers would have benefited from more relevant, reliable and timely information. Our concerns in this area sometimes resulted from management information systems that were not designed to give decision-makers the information they needed. In other cases, however, the information was there but just not being properly used to support the decisions being made. Some of the more significant examples that come to mind relate to our audits of the costs of renewable energy initiatives, new funding mechanisms for physicians, the process for assessing property taxes, the operation of the Family Responsibility Office, funding for social-service agencies, and the land and air ambulance programs.

As I have said in the past, a lack of good information significantly increases the risk that the decisions made will not be the best ones—and may even be the wrong ones. In the private sector, wrong decisions usually just cost more money; in the public sector, they not only cost more but they also affect the day-to-day lives of all Ontarians.

THE GOVERNMENT'S FINANCIAL STATEMENTS

Auditors deal with numbers, and therefore this look back to 2003 would not be complete without at least some reference to accounting. As I mentioned earlier in this chapter, the role we play in providing assurance and adding credibility by auditing the annual financial statements of the province and its Crown agencies should not be overlooked, even though it is our value-for-money work that tends to capture the attention of the Legislature, the public and the media.

For the past 19 years, my predecessor Erik Peters and I have been able to give the government's consolidated financial statements a clean bill of health. All three major political parties, at one time or another during these years, have formed the government, and all deserve credit for accomplishing this.

However, in the last few years, the government has chosen to legislate how certain transactions are to be accounted for. This has not so far resulted in any significant departure from generally accepted accounting principles, but I do have concerns about it. I hope that, in future years, this will not put the Auditor in the position of concluding that, although the accounting complies with legislation, the financial statements are not fairly presented under generally accepted accounting principles.

PLAIN-LANGUAGE ACCOUNTING

I must confess to some discomfort with what I see as a trend toward growing complexity in accounting principles and the accompanying financial statement disclosures. It is reaching the point where the statements are becoming so long and complicated that the average reader may not be able to quickly and easily understand what is being reported with respect to an entity's financial position and results for the year.

The recent recommendation of the Canadian Institute of Chartered Accountants (CICA) that government business enterprises adopt International

Financial Reporting Standards (IFRS) has not, in my opinion, made this situation any better. While I can understand the rationale behind the CICA's decision to pattern Canadian standards after international standards, I suspect that it has resulted in the lay reader of financial statements prepared under IFRS having more difficulty in understanding them.

For instance, we have been the auditor of the LCBO for many years. From a business and accounting perspective, the LCBO is a fairly straightforward business. It buys a finished product and sells it in retail stores throughout the province. But the adoption of IFRS has resulted in the LCBO's financial statements increasing from 14 pages to 45 pages. As well, there can now be two income statements, making it more difficult for the reader to figure out what the LCBO's bottom-line profit or loss—the key piece of information most readers look for—actually is.

From the perspective of the typical reader of the LCBO's financial statements, I have a hard time concluding that this is progress.

But I do have some empathy for the CICA given the globalization of the world economy. And insofar as the CICA is regarded as a respected contributor to the development of future IFRS accounting pronouncements, I hope it keeps in mind the views of a former Chairman of the U.S. Securities and Exchange Commission, who said: "The legalese and jargon of the past must give way to everyday words that communicate complex information clearly." Closer to home, I have always remembered the words of a long-serving member of Ontario's Standing Committee on Public Accounts who made the following comment when the Committee was discussing how to word a particular report item: "Sometimes, just plain English is OK."

SOME GOOD NEWS

In my opening remarks at the press conference that is held each year on the release of our Annual Report, I have always included a "good news" component where I outline some examples of things that have gone well or where we saw some good initiatives undertaken. If I were to pick three overriding positive things that come to mind in looking back over the past 10 Annual Reports, they would be the following.

Implementation of Our Recommendations

In my first Annual Report to the Legislative Assembly in 2003, I expressed the concern that, all too often, little action had been taken to address our recommendations. Since that time, however, there has been a definite improvement in this area. In 2007, I reported a favourable trend in implementing our recommendations, and, as can be seen in Chapter 4 of our more recent Annual Reports (where we report the results of our follow-ups), progress continues to be made in implementing our recommendations.

Two factors have been instrumental in this. First, I sense that there is more pressure from the "centre" or Cabinet Office to ensure that action is being taken on the Auditor's recommendations. My discussions with the various secretaries of Cabinet Office since 2003 have indicated that implementing our recommendations is considered an important responsibility of the deputy ministers.

Second, the Standing Committee on Public Accounts has consistently brought pressure to bear on ministries, Crown agencies and organizations in the broader public sector to implement our recommendations. Before any hearing, the Committee Clerk formally requests a written response from the entity at the hearing outlining what actions it has taken to address the Auditor's recommendations.

Admittedly, the fact that we do a formal follow-up two years after each audit and report the results in every Annual Report has in itself had an encouraging impact. However, the roles played by the two parties discussed above have undoubtedly been a factor in the improvement we have seen in this area since 2003.

Public-sector Senior Management

Over the years, I have dealt with dozens of deputy ministers, assistant deputy ministers, and Crown agency CEOs and CFOs, as well as a cross-section of senior management in broader-public-sector organizations such as hospitals, universities, social-service agencies, long-term-care homes and many others. The times when I have come across someone who didn't seem committed to delivering the best possible service for the people he or she serves have been rare.

This doesn't mean that senior management always makes the best decisions or ensures that every decision is made putting taxpayers' interests first and foremost. However, my sense has almost always been that, as the saying goes, "their hearts are in the right place." And while there have certainly been exceptions, the senior management I have dealt with over the years has generally been reasonable and open-minded with respect to our observations and recommendations. As well, while no one likes a visit from the auditors, we have almost always received good co-operation. In this regard, I do want to recognize the excellent co-operation of organizations in the broader public sector that we have audited, most of which we were visiting for the first time.

Standing Committee on Public Accounts

Ontario has a very diligent and active Public Accounts Committee. I have worked closely with the Committee since 2003, and its support for the Office and the work we do cannot be overestimated. From a pragmatic perspective, its support gives us clout, especially when it comes to getting our recommendations implemented, as just discussed. For example, over the years, it has not hesitated to re-call a particular ministry or agency and hold another hearing to, as the former long-serving Committee Chair liked to put it, "hold their feet to the fire" if it believed the ministry or agency had not done enough to make improvements.

For the most part, the Committee has also operated in a relatively non-partisan manner and has worked collegially to encourage improvements in operational cost-effectiveness and improve the level of service provided to the public. Last fall, just before the House adjourned for the October 2011 election, the Speaker of the Legislature put it best: "It has been a pleasure to see how the Public Accounts Committee has worked. If only every committee in the Legislature could operate in the same manner, things might be much different."

THANKS TO A HARD-WORKING GROUP

In looking back over the past 10 Annual Reports that I have tabled, I have indeed been most fortunate to have such a cohesive and dedicated team in the Office. Year after year, my staff has continued to produce top-notch work, both on the value-for-money side and in getting our financial audits done well and on time. The work we do is not easy, and we frequently face obstacles, challenges and tight timelines. However, the staff of the Office perseveres and ultimately gets the job done—and done right. They deserve our thanks.

Summaries of Value-for-money Audits and Reviews

About two-thirds of the Office's resources are devoted to conducting value-for-money audits. These audits focus on the delivery of services to the public, going beyond "just the numbers." The following are the summaries of the 12 value-for-money audits and the one review we conducted, all of which are presented in Chapter 3.

3.01 CANCER SCREENING PROGRAMS

Cancer Care Ontario (CCO) is a provincial agency responsible for coordinating and overseeing cancer services in Ontario. CCO directs health-care funding to hospitals and other care providers, with the aim of delivering quality and timely cancer services throughout the province. It is also responsible for implementing cancer prevention and screening programs.

CCO has 13 regional cancer programs. Regional Cancer Centres are responsible for cancer screening and treatment services. In the 2011/12 fiscal year, CCO had total expenditures of $887 million, $92 million of which was spent on cancer screening programs.

CCO has implemented screening programs for breast, colorectal and cervical cancers. We noted that CCO used recognized clinical evidence to decide what types of cancer warranted formal screening programs.

Each of the three screening programs has as its key objective reducing the number of deaths from cancer through early detection and treatment. The mortality rates from these three types of cancer have fallen in Ontario over the past two decades. In this regard, Ontario's mortality rates are similar to the Canadian averages for these types of cancer.

Our observations with respect to the three screening programs include the following:

- Both the Ministry of Health and Long-Term Care (Ministry), through a $45-million funding commitment in 2010, and CCO, through recent initiatives, have recognized the need to increase screening participation rates, especially for people considered to be at increased risk for cancer. As of fiscal 2009/10, participation in breast cancer and cervical cancer screening achieved Ministry targets but fell short of CCO's own targets. Colorectal cancer screening fell short of both the Ministry's and CCO's targets, and almost half the targeted population remained unscreened. In total, from 2008 to 2010, only 27% of eligible women completed all three cancer-screening tests recommended for their age group. As well, participation in the screening programs appears to have reached a plateau, and the CCO is actively looking at ways to address this.
- Though older women were at greater risk of dying of cervical cancer, they were screened at a much lower rate than younger women.
- The level of quality assurance measures for each of the screening programs varied considerably. CCO has a comprehensive quality assurance program for the breast cancer screening program. However, 20% of screenings took place outside CCO's program and were not subject to the requirements. CCO had some quality assurance processes in place for the colorectal cancer screening program, but none for the cervical cancer program.

With respect to the wait times at various stages of the screening processes for all three types of cancer, we noted the following:

- Mammography screening wait times for women with average risk for breast cancer ranged from just over two weeks to 10½ months. CCO found that, in its program that targets women considered at high risk for breast cancer, the wait time for genetic assessments for screening eligibility averaged 84 days.
- For colorectal screening, almost 30% of cases did not have the recommended follow-up colonoscopies within the benchmark time established by CCO. Our review of hospital records found instances where wait times were as long as 72 weeks for people with family histories and 17 weeks for those with positive Fecal Occult Blood Test results.
- For cervical cancer screening, a recent CCO preliminary review showed that the median wait time for a colposcopy (a follow-up on an abnormal cervical Pap test result) for high-grade abnormalities was about three months.

3.02 CRIMINAL PROSECUTIONS

The Criminal Law Division (Division) of the Ministry of the Attorney General (Ministry) prosecutes criminal charges on behalf of the Crown before provincial courts. The Division receives about 600,000 new criminal charges each year from more than 60 police forces in Ontario. A Crown attorney is to prosecute a criminal charge only if it is in the public interest to do so and there is a reasonable prospect of conviction.

The Division operates from its head office in Toronto, six regional offices and 54 Crown attorney offices across the province. The Division's operating expenses totalled $256 million in the 2011/12 fiscal year, 84% of which was spent on staffing. The Division employs about 1,500 staff, including about 950 Crown attorneys.

The number of Crown attorneys and the overall staffing costs for the Division have more than doubled since our last audit in 1993. Yet the number of criminal charges that Crown attorneys dispose of per year has not substantially changed—572,000 in 1992, compared to 576,000 in 2011.

Partly as a result of the Charter of Rights and Freedoms, many cases are more complex than they used to be, so more time is needed to prosecute them. Also, more Crown attorneys have been assigned to cases involving guns and gangs and other dangerous and high-risk offenders.

However, it is difficult to gauge the actual impact of this on prosecutors' workloads because the Division makes little use of data to analyze the relative workload, efficiency and effectiveness of its Crown attorneys. Instead, it relies more on informal oversight by senior staff at each of the 54 Crown attorney offices. We noted the same issue in 1993.

We continue to believe the Division would benefit from having information systems that provide it with reliable data on prosecutors' workloads, the outcomes of prosecutions, the average time it takes to resolve charges, and other key performance indicators, at the level of both local offices and individual Crown attorneys. The Division could also make better use of information on court activities that is already available, until it completes the development of its own information systems.

Our other major observations include the following:

- The Division does not formally assess its prosecutorial performance. It does not gather information on how efficiently charges are screened by Crown attorneys before a case is prosecuted; how long it takes Crown attorneys and staff to prepare cases; whether court diversion programs for resolving minor criminal charges are used appropriately; the number of bail release applications and their results; and the outcomes of cases. For example, the rates at which some Crown attorney offices went to trial were up to 20 times higher than the rates of other offices.
- No staffing model has been established to determine how many Crown attorneys should be at each local office, and there is no benchmark for what a reasonable workload for each Crown attorney should be. Workloads varied significantly among local offices and between regions—572 charges per Crown attorney at one office and 1,726 at another, for example.
- Of the Division's six regions, the Toronto Region disposed of the most charges in total in fiscal 2011/12, but it did so at the highest cost per charge—$437, compared to the average of $268 for the other regions. The Toronto Region also disposed of an average of 40% fewer charges per Crown attorney than the average of other regions.
- An electronic case-management system, originally projected to cost $7.9 million and be completed by March 2010, has been significantly delayed because of weak project management oversight, and the fact that insufficient resources have been dedicated to the project.

3.03 DIABETES MANAGEMENT STRATEGY

Diabetes, which results from the body's partial or complete inability to produce and/or properly use insulin, is one of the most common chronic diseases in Ontario. It can lead to kidney failure, heart attack, stroke, amputation and blindness if poorly managed or left untreated. Type 1 diabetes, which accounts for 10% of cases, is not preventable and its cause remains unknown. However, Type 2 diabetes, which accounts for the other 90% of cases, is most often preventable with lifestyle changes that include healthier eating and exercise.

The number of people with diabetes in Ontario has more than doubled from 546,000 in 2000 to 1.2 million in 2010, and that number is expected to grow to 1.9 million by 2020. People with diabetes use the health-care system at about twice the rate of the general population, and the cost to Ontario's health-care system is expected to grow from $4.9 billion in 2010 to $7 billion in 2020.

In 2008, the Ministry of Health and Long-Term Care (Ministry) established a four-year $741 million Ontario Diabetes Strategy (Strategy). The Strategy's short-term results have been mixed. The availability of diabetes care has definitely improved. However, most diabetes service providers set up with Strategy funding are underused, and many told us more of their funding should go toward preventive services. We noted that 97% of the funding was earmarked to treat people who already had diabetes, with only 3% for prevention initiatives.

Some of our other observations were as follows:

- eHealth Ontario's efforts to produce an electronic Diabetes Registry to allow physicians and the Ministry to monitor patient data have been problematic. eHealth had been working with a private-sector vendor on the Registry, but the original completion deadline of April 2009 was not met, and the proposed release date was extended many times. Subsequent to our audit fieldwork, the contract with the vendor was terminated in September 2012.
- eHealth and the vendor signed a $46 million contract in 2010 that stipulated the vendor would be paid only after the Diabetes Registry was launched. eHealth has acknowledged that this contract traded away much of the province's control over the project's design, progress and delivery time in exchange for price certainty. Although no payment had been made to the vendor and the Registry was cancelled in September 2012, the Ministry and eHealth have incurred about $24.4 million in internal costs related to the Registry since 2008/09.
- There has been considerable duplication and overlap in education programs on diabetes. The provincial Strategy runs 152 Diabetes Education Programs (DEPs), each with one or more Diabetes Education Teams consisting of a registered nurse, a registered dietician and other professionals. However, many hospitals and physicians' clinics have set up education programs of their own, with funding from other sources, leading to service overlaps and under-utilization of 90% of the DEPs.
- The Ministry needs to significantly enhance its monitoring of funds used by a not-for-profit organization to which it gives $20 million a year to manage and fund 47 DEPs in northern Ontario and a number of diabetes service providers. The organization has paid a consulting firm $105,000 since 2009/10 for such services as "advice on election strategizing" and "developing relationships with relevant political decision-makers." We also found instances where staff meal expense claims were not in line with government policy.
- The Ministry has significantly increased the number of in-province bariatric surgeries—from 245 in 2007/08 to 2,500 in 2011/12—to combat Type 2 diabetes in obese people. However, this still does not meet the current demand and is actually lower than the 2,900 surgeries done in 2009/10.

3.04 DRIVE CLEAN PROGRAM

The Ministry of the Environment (Ministry) introduced the mandatory Drive Clean vehicle emissions program in 1999 as part of its strategy to reduce smog in Ontario. The program identifies vehicles whose emission controls are malfunctioning and it requires that the owners of such vehicles have them repaired.

The program currently tests vehicles once they are seven years old, or those older than one year if ownership is to be transferred. Light-duty vehicles that were built before 1988 are exempt from the program, but, otherwise, all vehicles must pass an emissions test for the owner to renew the registration or transfer ownership.

Overall, we found that the Drive Clean program has effective procedures in place to ensure that vehicles are getting tested and that vehicles whose emissions exceed the province's limits are being identified for repair.

On-road vehicle emissions declined significantly from 1998 to 2010, and they are no longer among the major domestic contributors to smog in Ontario. (Half of Ontario's smog comes from pollutants that originate in the United States.) As well, Ministry emissions estimates show that more than 75% of the reduction in vehicle emissions since the Drive Clean program's inception is actually due to factors other than the program, including tighter manufacturing standards on emission-control technologies, federal requirements for cleaner fuel and the fact that older vehicles are being retired.

Some of the other significant issues we noted during our audit were as follows:

- Beginning January 1, 2013, the program is to begin using an on-board diagnostic (OBD) testing method, which can only test vehicles built from 1998 on. As a result, vehicles built from 1988 to 1997, which experienced a failure rate of 11% to 31% in 2010 when tested with a dynamometer, will be tested using only the two-speed idle method, which uses less stringent emissions limits than either the dynamometer or the OBD testing methods.
- Because vehicle owners are not required to incur any repair costs if the repair estimate exceeds $450, about 18,000 vehicles were not fully repaired in 2011. The average repair bill paid by owners of vehicles that received a conditional pass was only $255. The most commonly diagnosed cause of excessive emissions in 2010—a faulty catalytic converter—was repaired in only one-third of cases. For vehicles that had only partial repairs in 2011, the emission readings after the repair were actually worse for all pollutants in 25% of the vehicles, and worse for at least one of the pollutants in half of the vehicles.
- The Ministry outsources six program services, including the monitoring of Drive Clean facilities for non-compliant or fraudulent activities, to the private sector. It recently consolidated the six separate private-sector service delivery contracts into one contract and expects a 40% reduction in annual costs. Until recently, the Ministry has been diligent in requiring its service provider to conduct upwards of 1,400 covert audits a year. In recent years, these and other audit efforts have identified about 3,000 non-compliance issues annually. However, prior to the planned introduction of a new compliance program in 2013, the Ministry reduced the number of covert audits in 2012 to a fraction of what it previously required the service provider to conduct.
- Although one of the program's stated goals is to maintain a high level of public acceptance, the Ministry has not established performance targets or attempted to measure whether or not this goal has been achieved in more than a decade. The only survey to measure public support for the Drive Clean program was done 12 years ago.

3.05 EDUCATION OF ABORIGINAL STUDENTS

There are about 242,000 Aboriginal people living in Ontario, including 158,000 First Nations people, 74,000 Métis and 2,000 Inuit. Data from the 2006 census indicates that only 62% of Aboriginal adults in Ontario had graduated from high school, compared to 78% of the general population—a gap of 16%. The academic achievement gap is up to 50% for young adults aged 20 to 24. In this age group, only 39% of the First Nations people living on reserves had graduated from high school.

Many Aboriginal students face challenges that affect their academic achievement, including poverty, substandard housing and poor nutrition. Many live in areas with little prospect of employment, something that can affect how seriously they take getting an education.

In 2006, the Ministry of Education (Ministry) identified Aboriginal education as a priority, with a focus on closing the gap in academic achievement between Aboriginal and non-Aboriginal students by 2016. It created the Aboriginal Education Office (AEO), which collaborates with Aboriginal communities and organizations, school boards, other ministries and the federal government, to coordinate Aboriginal education initiatives. Since 2006, the Ministry has provided $170 million in funding to support programs for Aboriginal students.

In 2007, the Ministry designed a policy framework to identify Aboriginal students, help develop support programs and periodically assess their academic progress. However, the Ministry needs to more actively oversee the implementation of this framework to demonstrate what, if any, progress has been made since 2006 in improving achievement among Aboriginal students.

Among our significant observations are the following:

- Five years after the release of the *Ontario First Nation, Métis and Inuit Education Policy Framework*, the Ministry had not assessed its progress against any of the 10 performance measures included in the framework because it had not required school boards to evaluate and report on the measures. None of the three boards we visited had done so.
- The Ministry has a guide to help school boards develop policies for students to formally identify themselves as Aboriginal. However, at the time of our audit, fewer than half of the estimated number of Aboriginal students in Ontario had been identified. The Ministry and boards need to identify Aboriginal students to better target funding and support, and determine their academic progress.
- The Ministry had not established a baseline from which to measure the gap in achievement between Aboriginal and non-Aboriginal students. Accumulation of credits toward graduation is a primary indicator of student success. We asked the Ministry for the most recent data for Grade 10 credit accumulation for students who identified themselves as Aboriginal. Only 45% of these students were on track to graduate from high school, compared to 74% of the general Grade 10 population. This raises the question of the Ministry's ability to meet its goal of closing the achievement gap by 2016.
- Although education on reserves is the financial responsibility of the federal government, many of these students eventually transition into the provincial system. Partly because of limited per-student funding, on-reserve schools have generally not been able to provide the quality of education found in provincial schools, and studies suggest these students may be several grade levels behind when they transfer into the public system. Our analysis of Education Quality and Accountability Office data found that only half of on-reserve students attending provincial schools passed the Grade 10 Ontario Secondary School Literacy Test in the 2010/11 school year.

3.06 INDEPENDENT HEALTH FACILITIES

In Ontario, about 800 independent health facilities provide primarily diagnostic services—such as x-rays, ultrasounds and sleep studies—and about 25 provide surgery—such as cataract and plastic surgery—or dialysis. Patients generally need a requisition signed by their physician to receive the services, and test results are sent to this physician.

The facilities are independently owned and operated, and more than 97% of them are for-profit corporations. The Ministry of Health and Long-Term Care (Ministry), which is responsible for licensing, funding and coordinating quality assurance assessments of these facilities, estimates that about half of them are owned or controlled by physicians, many of whom are radiologists who interpret, for example, x-rays.

The Ministry pays facility owners a "facility fee" for overhead costs such as rent, staffing, supplies and equipment. In the 2010/11 fiscal year, the Ministry paid $408 million in facility fees. Total facility payments increased by about 4% per year from 2006/07 to 2010/11, primarily because the volume of services increased. As well, the Ministry pays physicians a standard "professional fee" for each service provided in the facilities. The Ministry does not track the total of these specific professional fees.

Since our 2004 audit, the Ministry has improved the oversight of facilities. However, several areas of concern still remain. For example, the Ministry generally does not allow facilities to relocate to underserved areas, even though Ministry data indicates that patients in about half of Ontario municipalities continue to be underserved for certain diagnostic services, including radiology and ultrasound. As well, the Ministry has not researched the current overhead costs associated with providing the services. These costs may have changed significantly because new technology that allows certain tests to be done much faster often results in lower overhead and staffing expenses.

Our other significant observations include the following:

- Each facility is paid the same amount for each type of service provided, regardless of the number of services it performs. Consequently, larger facilities in urban areas often benefit from economies of scale, since costs like rent and reception staff salaries do not increase proportionately with the number of services performed. Paying slightly higher fees in locations with smaller populations and lower fees in high-density locations might encourage services in underserved areas without additional cost to the Ministry.
- Although the Ministry estimates that about 50% of facilities are owned or controlled by physicians, it has not analyzed the patterns of physicians referring patients to their own or related persons' facilities. Further, many patients assume they must go to the facility on their physician's referral form.
- In 2009, the Canadian Association of Radiologists noted that as many as 30% of CT scans and other imaging procedures across Canada contribute no useful information or are inappropriate. The Ministry's own estimate was that about 20% of facility-fee tests are likely inappropriate.
- Unlike hospitals, facilities are assessed by the College of Physicians and Surgeons of Ontario to help ensure that, among other things, diagnostic images are being correctly read by the facilities' physicians. However, as of March 2012, about 12% of facilities had not been assessed within the previous five years. Even for assessed facilities, the College assessors did not review the work of all physicians working at those facilities.
- As of March 2012, the Ministry's X-Ray Inspection/Services Unit had not inspected almost 60% of facilities as frequently as required to ensure that radiation-producing equipment, including x-ray equipment, was appropriately shielded to prevent excessive radiation exposure.

3.07 LEGISLATIVE ESTIMATES REVIEW PROCESS

The Ontario government spends about $120 billion a year on public services. The government sets spending priorities and manages service delivery, but it must seek the approval of the Legislature each year for its spending plans.

In recent years, the Ontario budget has been presented to the Legislative Assembly in early spring. However, the budgetary process starts several months earlier. The government provides ministries with broad spending guidelines that reflect its priorities and fiscal outlook. The ministries then put forward their proposed spending plans for the public services they manage. Ministry plans, once reviewed and approved by the Treasury Board and Management Board of Cabinet, form the basis for the budget, which also reflects the expected revenues to support the proposed expenditures.

Ministry spending plans are sub-divided by program area and spending activity, and these are then summarized in a document titled Estimates. This document, which must be tabled by the government no later than 12 sessional days after the budget's release, represents the government's formal request to the Legislature for spending approval.

In Ontario, the Standing Committee on Estimates (Committee) reviews the estimates of at least six, but not more than 12, ministries or government offices each year. The Committee currently comprises members of the provincial Parliament (MPPs) from the three political parties that have elected members. During the review process, ministers and senior staff of the ministries appear before the Committee to explain their estimates and answer questions. When the Committee completes its review, it reports back to the Legislature.

MPPs may also debate the Estimates in the Legislature. After the Legislature approves them, they constitute the legal spending authority for the government.

We last reviewed the legislative estimates review process in 1995. As we did in 1995, we again interviewed three MPPs from each party who had served on the Estimates Committee. We supplemented our interviews with current MPPs by meeting with three former, long-serving MPPs, who, in total, had more than 80 years of experience as elected members, to get their historical perspective on the legislative estimates review process. The consensus of almost all of the MPPs we interviewed echoed the comments members made in 1995—that is, that the process is still not very effective in providing meaningful scrutiny of government spending plans. However, members made it clear that the hearings of the Committee are worthwhile because they provide the only real opportunity to directly question ministers outside of the Legislature's question period.

Our research did not identify any Westminster-style parliaments that had truly effective estimates review processes. Many are wrestling with the same concerns expressed by Ontario MPPs. Indeed, a 2005 International Monetary Fund study noted that Westminster-style legislatures in general have very limited budgetary oversight, and ranked the parliaments of Canada, Australia, the United Kingdom and New Zealand as having the weakest budgetary oversight processes of any Western countries.

We offered these ideas for making more effective use of the limited time committee members have available:

- Consider a short in camera estimates briefing for members in advance of the formal hearings for each ministry.
- Consider requesting that ministry briefing books combine information on spending plans with past and current performance reporting to provide a better basis for legislators to assess what results are being achieved and planned for proposed expenditures.
- Consider selecting a few specific ministry programs for a more in-depth review by the Committee, perhaps with only senior ministry officials in attendance.

3.08 LONG-TERM-CARE HOME PLACEMENT PROCESS

Long-term-care homes (LTC homes) provide care, services and accommodation to people who need to have 24-hour nursing care available, supervision in a secure setting or frequent assistance with activities of daily living.

The *Long-Term Care Homes Act* (Act) authorizes the province's 14 Community Care Access Centres (CCACs) to determine eligibility for LTC home admission, prioritize eligible people on wait lists and arrange placement when a bed becomes available. In fiscal 2011/12, CCACs placed more than 25,000 people, 85% of whom were 75 or older, in Ontario's 640 LTC homes. The 76,000 long-term-care beds in these homes are 97% occupied. Each CCAC reports to one of the province's 14 Local Health Integration Networks (LHINs). The Ministry of Health and Long-Term Care (Ministry), to which the LHINs are accountable, is responsible for ensuring that CCACs comply with the Act's LTC home placement provisions.

Since 2005, the number of Ontarians aged 75 and over has increased by more than 20%, which is undoubtedly one reason why the median amount of time people wait for an LTC home bed has almost tripled—from 36 days in the 2004/05 fiscal year to 98 days in 2011/12. Although wait times have decreased somewhat since July 2010, when tighter eligibility criteria in the Act took effect, Ontario's population of those aged 75 and up is expected to grow by almost 30% from 2012 to 2021 and to further increase beginning in 2021 when the baby boomers start to turn 75, likely creating additional demand for long-term care.

Many factors that affect wait times for placement are out of the control of CCACs. For instance, the Ministry is responsible for how many LTC home beds are available. As well, people are allowed to select the LTC homes they are willing to be placed in, and LTC homes may reject applications.

The Ministry has recognized that, given Ontario's aging population, it is critical that alternatives be developed to long-term care. CCACs use a standardized process to determine client eligibility, including considering alternatives to long-term care. However, more needs to be done to ensure that crisis cases are prioritized consistently.

Overall, the three CCACs we visited were managing various areas of their LTC home placement process well, but all had areas that needed improvement. Our observations included the following:

- 19% of people waiting in hospital for an LTC home bed had applied to only one LTC home, even though the selected home may have a long waiting list. It has been shown that remaining in hospital longer than is medically necessary is detrimental to a person's health, is more costly than community-based care alternatives and takes up beds that are needed by other patients.
- March 2012 LTC home wait-list data indicated that crisis clients had waited a median of 94 days up to that point; moderate-needs clients had waited 10 to 14 months; and most other eligible clients had waited years. During the 2011/12 fiscal year, 15% of clients died before receiving LTC home accommodation.
- While 36% of clients were placed in their first choice of homes, others accepted an alternative LTC home but stayed on their preferred home's wait list. In March 2012, 40% of people on wait lists for a particular home resided in another home. Because crisis clients get priority, non-crisis clients may find it difficult to access the more popular homes.
- Applicants in some areas of the province get into LTC homes more quickly than others. At one CCAC, 90% of clients were placed within 317 days, whereas at another, it took 1,100 days.
- Clients able to pay for private or semi-private rooms are generally placed more quickly because homes can have up to 60% of their beds in such rooms, but only 40% of people apply for them.
- The CCACs we visited did not periodically review whether the highest priority clients were offered the first available beds.

3.09 METROLINX—REGIONAL TRANSPORTATION PLANNING

Metrolinx, an agency of the Ontario government, was established to provide leadership in the coordination, planning, financing and development of an integrated transportation network in the Greater Toronto and Hamilton Area (GTHA).

In November 2008, Metrolinx formally adopted its Regional Transportation Plan (RTP), which sets out the priorities, policies and programs for implementing a GTHA transportation system over 25 years at an estimated cost of $50 billion.

The GTHA suffers from congested roads and highways, and public transit systems are increasingly unable to meet the needs of a growing population. The creation of a Crown agency such as Metrolinx is a reasonable strategy toward implementing an integrated transportation network in the GTHA. Other jurisdictions that have faced this problem have used similar stand-alone agencies to coordinate regional transportation planning.

To deliver on its goals, Metrolinx must, among other things, consult with stakeholders and make sure that individual projects contribute to a seamless and efficient transportation network; that each project has a sound cost-benefit analysis; and that risks are managed and projects are delivered cost-effectively and on time.

However, our review of several significant projects in the early stages of the RTP identified a number of issues that must be addressed by Metrolinx if it is to meet these best practices, including the following:

- We believe that Metrolinx's initial assumptions about projected annual ridership on the Air Rail Link (ARL) between Union Station and Pearson Airport may be optimistic. Although a final decision has not been made on whether the ARL must recover its annual operating costs and any of its capital construction costs, operating it on a break-even basis, if that is indeed the objective, may not be feasible. Metrolinx itself conducted a market assessment that suggested ARL ridership may not meet its initial assumptions given the estimated fare level.
- The two major projects related to the revitalization of Union Station have experienced significant cost increases over their initial estimates. The cost of restoring the train shed could reach $270 million—25% more than Metrolinx's initial estimate. The cost of replacing the switches in the Union Station Rail Corridor could be more than twice the $38 million on the original purchase order.

As well, we found a number of issues with the Presto fare-card system that Metrolinx has deemed key to implementing a region-wide integrated transit fare system. Specifically:

- Because fares for GTHA transit systems are not themselves integrated, the Presto card has not yet facilitated fare integration.
- Along with Ottawa's transit body, the Toronto Transit Commission has only now conditionally approved the adoption of Presto. However, to meet the requirements of Toronto and Ottawa, Presto Next Generation (PNG) is being developed at an anticipated cost of $498 million. The total cost of developing the original Presto system and PNG may well be more than $700 million, placing it among the more expensive fare-card systems in the world. Instead of competitively tendering the development of PNG, Metrolinx decided to develop it through open-ended change orders under the existing vendor's contract. We believe tendering would have informed Metrolinx of potential new developers and, possibly, of more cost-effective technology solutions.
- Presto has been in service for about two years, but its overall usage among participating GTHA transit systems was only about 18% as of March 31, 2012. In the 905 region, seven of eight municipal transit agencies use Presto, but its overall usage on those systems is only 6%. These transit agencies cannot eliminate their old fare systems in favour of Presto because of the card's limitations.

3.10 ONTARIO PROVINCIAL POLICE

The Ontario Provincial Police (OPP) provides front-line police services in areas that do not have their own police forces, patrols provincial highways, and conducts investigations into complex criminal cases and organized crime. It also offers policing services, under contract, to municipalities that request them and provides emergency and other support services to all communities in the province.

The OPP employs about 6,300 police officers and 2,300 civilian employees. It operates 78 detachments and 87 satellite police stations.

OPP operating expenditures totalled $979 million in the 2011/12 fiscal year, with staffing costs making up 87% of that amount. The OPP provides municipal policing services to 322 municipalities on a cost-recovery basis, as well as to 19 First Nations communities, and was reimbursed $362 million.

Over the last two decades, crime rates across Canada have declined by more than 40%, and Ontario has been part of this trend. Since our last audit of the OPP in 2004/05, crime rates reported by the OPP have decreased 10%, and serious motor vehicle accidents have also been trending down, with both fatalities and injuries decreasing. Over the last five years, the number of calls for service the OPP has responded to or initiated has remained relatively stable.

However, OPP expenditures net of recoveries from municipalities have increased by 27% over the last five years. Most of the increase has occurred because more officers have been hired and staff have received higher compensation. We found that many other large police forces in Canada have had similar expenditure increases, notwithstanding the declining rates of crime and serious motor vehicle accidents.

We found in our current audit that many of the issues we reported on in 2005 continue to exist. Our major observations include the following:

- We found that officers face significantly different workloads depending on where they are assigned, with some officers handling 54% to 137% more calls than officers in other detachments. The reason for this may be a staffing model that is almost 30 years old and that is used to deploy only about 45% of the 2,800 front-line officers.
- In 2005, the OPP told us it was working with the RCMP on a new officer-deployment computer model. The OPP has since claimed it uses this new model, but it does not. In March 2012, the OPP's existing model calculated that the force needed 500 more front-line officers, whereas the new model calculated it needed 50 fewer officers.
- OPP management had little control over shift scheduling at detachments, and almost all officers choose to work 12-hour shifts. This results in overstaffing during slow early-morning hours; addressing this could result in savings in the range of $5 million to $10 million.
- OPP officers are among the highest compensated officers in Canada. Officers and civilians receive certain benefits to which other members of the Ontario public service are not entitled, including significantly better pension benefits and other allowances.
- Although the OPP had lowered its overtime costs for 2004/05 by 10% to $33 million, overtime costs have increased by 60% to $53 million since then.
- The overall cost of OPP services for municipalities from 2007 to 2011 increased an average of 29% for those with contracts and 19% for those without—up to three times the annual inflation rate. While municipal officials told us that they were very satisfied with the OPP services they received, they expressed concern about these cost increases.

3.11 TAX COLLECTION

The Ministry of Finance (Ministry), through its Collections Branch (Branch), is responsible for the collection of a significant portion of the unpaid taxes owed to the province. To collect unpaid taxes, the Branch sends notices by mail, contacts taxpayers by phone and sometimes visits in person. If taxes remain unpaid, collectors can use garnishments, register liens, or obtain warrants for the seizure and sale of taxpayers' property.

As of March 31, 2012, about 90% of the tax the Branch was responsible for collecting related to Corporations Tax and Retail Sales Tax. The Canada Revenue Agency (CRA), which is responsible for collecting personal income tax on behalf of the province, also began administering Corporations Tax on behalf of the province in January 2009. Similarly, the CRA administers the Harmonized Sales Tax, which replaced the provincial Retail Sales Tax in July 2010. As a result, about 75% of the Branch's 400 staff members were transferred to the CRA in March 2012. However, the Ministry is still responsible for collecting Corporations Tax and Retail Sales Tax amounts owing prior to their transfer to the CRA. The Ministry expects that by 2014 it will have wound down most of its work on collecting these amounts.

In the 2011 Ontario Budget, the government proposed centralizing the collection of all government non-tax revenue within the Ministry of Finance. Under this proposal, the Collections Branch would also collect non-tax revenue on behalf of other provincial ministries.

Over the last five years, the Branch collected about $6 billion of the approximately $330 billion in taxation revenue generated by the province, while the remaining amount was generally remitted voluntarily. As of March 31, 2012, the Branch expected it may need to write off up to $1.4 billion of the $2.46 billion in taxes owing that it was responsible for collecting. The write-off would be mostly from older accounts that have accumulated for years and that have been expensed in the accounts of the province.

The Branch has strengthened its collections process in recent years by improving how it prioritizes accounts and by developing guidelines to help collectors carry out and document their work. However, in a number of cases we reviewed, we found that collection actions were often not taken soon enough, and that enforcement tools available to collectors were not used to their full extent. Some of our significant observations are as follows:

- Research has shown that the probability of full collection on a delinquent account drops dramatically as time passes. We found that once an account entered collections, it took an average of seven months for collectors to attempt to reach the taxpayer by phone. We also noted that in more than two-thirds of the cases in our sample, there was at least one instance where no collection action was taken for six months or more.
- Visiting a taxpayer's premises increases the likelihood of collecting what is owed. Field visits were not made in a number of accounts we reviewed, although we felt they were warranted. For example, the Branch tried unsuccessfully for nearly two years to reach by phone a taxpayer who owed $100,000 in sales tax and had broken a payment arrangement, but it made no field visit.
- The Branch appropriately registered liens and warrants on properties, but, in a number of cases that we reviewed, it then failed to enforce the liens and warrants for the seizure and sale of those properties.
- With the Branch losing 75% of its workforce because of the transfer of responsibilities to the CRA, many collectors' caseloads doubled or even tripled. This could result in even more write-offs than are expected. The Branch received approval in fiscal 2009/10 to hire temporary employees to compensate for the eventual loss of personnel, but at the time of our audit, the Branch had not fully evaluated its post-transfer needs and, as a result, no additional staff had been hired.

3.12 UNIVERSITY UNDERGRADUATE TEACHING QUALITY

In 2010/11, Ontario's 20 publicly assisted universities had the equivalent of about 390,000 full-time students eligible for provincial funding. These universities employed about 15,000 full-time faculty, including tenure-stream staff with teaching and research responsibilities, teaching staff with no research responsibilities and part-time sessional instructors under contract.

The Ministry of Training, Colleges and Universities (Ministry) expects that 70% of all new jobs will require education and training beyond the high school level, and its goal is to have 70% of Ontarians attain post-secondary credentials by 2020.

From the Ministry's perspective, a university's most important mandate is that it does a good job of teaching its students and preparing them for the future workforce. We believe students, their parents and the public would agree.

The deans and faculty or department heads we spoke to at the three universities we visited told us that it is not easy to quantify and assess undergraduate teaching quality. Nevertheless, most felt that measures could be developed to offer insight into teaching quality.

Although neither the Ministry nor the universities we visited were formally assessing or reporting on teaching performance on a regular basis, we found information was available that could be used to do so. For instance, all Ontario universities encourage students to complete formal evaluations of each course they take. However, we found that little aggregate analysis of the student evaluations was done at the universities we visited. Only about a quarter of Ontario's universities indicated that they make the summarized results of these evaluations available to students to help them choose their courses.

All three of the universities we visited had put some processes in place to improve teaching quality, including establishing teaching centres and giving consideration to teaching performance when making decisions on promotions and tenure. However, we feel universities need to better ensure that teaching quality is valued, encouraged and rewarded. Our key observations are as follows:

- A number of faculty told us their annual performance appraisals did not provide them with appropriate feedback on teaching performance. We noted examples where student evaluations had been critical of teaching performance, but there was no evidence that specific guidance was provided or that faculty members had sought assistance to improve their teaching skills. None of the universities we visited required that written performance appraisals be provided to sessional instructors, even though these people accounted for 10% to 24% of full-time-equivalent staff.
- Ontario universities in general do not require faculty members to have formal training in teaching. Records at the teaching and learning centres of two of the universities we visited showed that faculty attendance at teaching workshops averaged less than one hour per instructor per year. At one university, student course evaluation results showed the education faculty consistently outperformed other faculties in overall teacher effectiveness ratings. Interestingly, we were told that virtually all members of this faculty had formal training in teaching methods.
- The Ministry is making progress toward achieving its goal of having 70% of Ontario's population hold post-secondary credentials by 2020. However, two years after graduation, only 65% of graduates surveyed by the Ministry were employed full-time in a job that was related to the skills acquired in their studies. The Ontario Undergraduate Student Alliance indicated to us that students would find information on graduate employment outcomes beneficial in choosing their university and program of study.

3.13 YOUTH JUSTICE SERVICES PROGRAM

The Ministry of Children and Youth Services (Ministry) provides community and custodial programs and services to Ontario youths aged 12 to 17 who are primarily awaiting trial after being charged with a crime, or who have been found guilty by a court. The Youth Justice Services program aims to reduce the incidence of reoffending and to contribute to community safety, largely through rehabilitative programming.

During fiscal 2011/12, the average daily population in Ontario's youth justice system was about 9,200—8,600 under community supervision and 600 in youth custody/detention facilities (200 in open facilities and 400 in secure facilities).

In 2011/12, the Ministry spent $370 million on the Youth Justice Services program, including $168 million in transfer payments to approximately 200 community-based agencies. The federal government contributed $67 million toward these costs under various cost-sharing agreements.

Like many other jurisdictions, the program has undergone a shift in philosophy over the last decade, from an incarceration-based approach to a community-based rehabilitation approach.

From the 2005/06 to the 2010/11 fiscal years, total program expenditures in the Youth Justice Services program increased by 25%–30%, while the number of youths served increased by only 5%. As well, ministry operating costs grew at a much faster rate than funding to transfer-payment agencies, even though the agencies have had to increase the number of programs and services they provide because of the shift to community-based rehabilitation.

Our other observations included the following:

- The growth in direct operating costs is primarily due to an increase in employee costs. Over the five-year period ending 2010/11, the number of full-time employees in all youth justice program areas increased substantially, with the exception of probation offices. More than 60% of all full-time ministry staff in the Youth Justice Services program were working in Ministry-operated secure facilities. Although the average daily youth population in these facilities decreased by 37% from 2006/07 to 2010/11, the number of full-time youth services officers increased by 50%.
- In fiscal 2010/11, on average, about 50% of the beds in custody facilities were occupied. Over the years, the Ministry has tried to improve the utilization rate by reducing the number of beds available in the system, either by closing facilities or by funding fewer beds in existing facilities. However, the Ministry projects that the overall utilization rate will still be just 58% in 2012/13.
- The average daily cost per youth varies significantly among custody/detention facilities. For example, in 2011, the average daily cost per youth ranged from $331 to $3,012 for agency-operated open facilities, from $475 to $1,642 for agency-operated secure facilities, and from $1,001 to $1,483 for Ministry-operated secure facilities.
- The Ministry's "single-case management" model has been a positive initiative. The aim is to have a youth's case assigned the same probation officer any time the youth is in the system. As well, in our review of case files, we noted many times where the knowledge and experience of probation officers was put to good use to manage youths' needs. However, many of the required risk assessments and identified rehabilitation needs were not being documented. Also, many court-ordered conditions were not being complied with, or we could not determine compliance because there was not enough documentation or the conditions were unverifiable.
- Ministry recidivism (reoffending) rates were 35% for youths with community sentences and 59% for youths who had served custody sentences. However, these recidivism statistics exclude more than 80% of youths who have come into contact with the program.

Chapter 2

Public Accounts of the Province

Introduction

Ontario's Public Accounts for each fiscal year ending on March 31 are prepared under the direction of the Minister of Finance, as required by the *Financial Administration Act* (Act). The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes of additional financial information.

The government's responsibility for preparing the consolidated financial statements involves ensuring that the information, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that an effective system of control, with supporting procedures, is in place to ensure that transactions are authorized, assets are safeguarded, and proper records are maintained.

My Office audits these consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatement—that is, free of significant errors or omissions. The consolidated financial statements, along with my Independent Auditor's Report, are included in the province's annual report.

The province's 2011/12 annual report also contains a Financial Statement Discussion and Analysis section that provides additional information regarding the province's financial condition and fiscal results for the year ended March 31, 2012, including some details of what the government accomplished in the fiscal year. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1—statements from all ministries and a number of schedules providing details of the province's revenues and expenses, its debts and other liabilities, its loans and investments, and other financial information;
- Volume 2—audited financial statements of significant provincial corporations, boards, and commissions whose activities are included in the province's consolidated financial statements, as well as other miscellaneous audited financial statements; and
- Volume 3—detailed schedules of ministry payments to vendors and transfer-payment recipients.

My Office reviews the information in the province's annual report and in Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the province's consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council within 180 days of the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council within 240 days of the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Legislative Assembly or, if the Assembly is not in session, make the information public and then lay it before the Assembly within 10 days of the time it resumes sitting.

This year, the government released the province's 2011/12 Annual Report and Consolidated Financial Statements, along with the three Public Accounts supplementary volumes, on September 13, 2012, meeting the 180-day deadline.

In conducting our annual audit of the Public Accounts we work closely with the Ministry of Finance (Ministry) and particularly with the Office of the Provincial Controller. While we might not always agree on financial reporting issues, our working relationship has always been professional and constructive.

The Province's 2011/12 Consolidated Financial Statements

The *Auditor General Act* requires that I report annually on the results of my examination of the province's consolidated financial statements. I am pleased to report that my Independent Auditor's Report to the Legislative Assembly on the province's consolidated financial statements for the year ended on March 31, 2012, is free of reservations. It reads as follows:

> *Independent Auditor's Report*
>
> To the Legislative Assembly of the Province of Ontario
>
> I have audited the accompanying consolidated financial statements of the Province of Ontario, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.
>
> *Management's Responsibility for the Consolidated Financial Statements*
>
> The Government of Ontario is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
>
> *Auditor's Responsibility*
>
> My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
>
> An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but

> not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the consolidated financial statements.
>
> I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
>
> *Opinion*
> In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2012 and the consolidated results of its operations, change in its net debt, change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.
>
> [signed]
>
> Jim McCarter, FCA
> Toronto, Ontario Auditor General
> September 6, 2012 Licensed Public Accountant

The above audit opinion is without any reservation, which indicates that the consolidated financial statements fairly present the province's fiscal results for the 2011/12 fiscal year and its financial position at March 31, 2012. This "clean" audit opinion means that based on our audit work, I can reasonably conclude that the province's consolidated financial statements have been prepared in accordance with accounting standards the Canadian Institute of Chartered Accountants (CICA) recommends for governments when preparing their financial statements. In other words, I am communicating to users that the province's consolidated financial statements do not have any material or significant errors and provide a fair reflection of what has actually transpired during the year.

If I were to have significant concerns with the government's compliance with the CICA accounting standards, I would be required to issue an audit opinion with a reservation. An audit opinion with a reservation means significant financial transactions have either not been recorded or not been recorded properly in the province's consolidated financial statements.

In determining whether a reservation is needed, auditors consider the materiality or significance of the unrecorded or misstated item in relation to the overall consolidated financial statements. An item is material if it is considered significant to financial statement users. An assessment of what is material (significant) and immaterial (insignificant) is based primarily on my professional judgment. Essentially, I ask the question "Is this error or misstatement significant enough that it could affect decisions made by users of the province's consolidated financial statements?" If the answer is yes, then I consider the error or omission material.

To make this assessment I calculate a materiality threshold. Historically, this threshold has been set at around 0.5% of total government expenses or revenues for the year. If the misstated items individually or collectively exceed the threshold, and management was not willing to make the required adjustments, a reservation in my audit opinion would normally be required. However, no such reservation was required this year.

As a final comment, I wish to point out that it is a notable achievement that in the past 19 years, all Ontario governments, regardless of the political party in power, have complied in all material respects with the CICA standards. Accordingly, my predecessor and I have been able to issue "clean" audit opinions on the province's consolidated financial statements since the province moved to adopt the CICA's Public Sector Accounting Board standards in the 1993/94 fiscal year.

Update on Ontario's Debt Burden

In our *2011 Annual Report*, we discussed the different measures of government debt—total debt, net debt, and accumulated deficit. We noted that the province's growing debt burden was attributable to government borrowing to finance recent large deficits and increased infrastructure spending. We compared Ontario's ratio of net debt-to-GDP to other Canadian and international jurisdictions, and highlighted the consequences to the province of carrying a large debt load.

In updating our debt analysis this year, we observe that the province's debt, whether measured by total debt, net debt, or accumulated deficit continues to increase, as illustrated in Figure 1.

While the government has not provided details on its projected debt beyond the 2014/15 fiscal year, we estimate that if the government balances its books as it projects in 2017/18, Ontario's total debt, which represents the total amount of money the government owes to outsiders in the form of bonds issued in the public capital markets, non-public debt, T-bills and U.S. commercial paper, will still total more than $340 billion or double what the outstanding debt was at the end of 2007/08. Net debt, which is the difference between the government's total liabilities and its financial assets, will likely surpass $320 billion, and the accumulated deficit, which represents the sum of all past annual deficits and surpluses, will stand at around $210 billion by 2017/18.

ONTARIO'S NET DEBT

We noted last year that net debt is often considered the best measure of a government's fiscal situation. While it is important to examine whether net debt is increasing or decreasing over time, the level of debt relative to the size of the economy—that is, net debt to gross domestic product (GDP)—is generally considered to be a good indicator of a government's ability to manage its debt load. When this ratio is rising, it means the government's net debt is growing at a faster rate than the provincial economy.

Ontario's net debt-to-GDP ratio has risen steadily from a low of 26.8% in 2007/08 to 36.9% in the 2011/12 fiscal year, as illustrated in Figure 2. The projected growth in this ratio indicates that government debt will continue to grow at a faster rate than the provincial economy until 2015/16, when the expected growth rate of government debt will fall below the expected growth rate of the provincial economy.

Another useful tool for assessing Ontario's debt load is to compare it with other Canadian jurisdictions. Figure 3 illustrates the net debt of the federal government and the provinces, along with their respective ratios of net debt to GDP, and the amount of debt owed by each resident of the jurisdiction. As of March 31, 2012, with the exception of the province of Quebec and the federal government, Ontario has the highest net debt-to-GDP ratio

Figure 1: Total Debt, Net Debt, and Accumulated Deficit, 2007/08–2014/15 ($ million)

Source of data: 2012 Ontario Budget, 2011/12 Province of Ontario Annual Report and Consolidated Financial Statements, 2012 Ontario Economic Outlook and Fiscal Review, and the Office of the Auditor General of Ontario

	Actual					Estimate		
	2007/08[a]	**2008/09[a]**	**2009/10[a]**	**2010/11[a]**	**2011/12[b]**	**2012/13[c]**	**2013/14**	**2014/15**
Total debt	162,217	176,915	212,122	236,629	257,278	278,000	297,500[a]	314,100[a]
Net debt	156,616	169,585	193,589	214,511	235,582	257,600	277,600[c]	293,300[c]
Accumulated deficit	105,617	113,238	130,957	144,573	158,410	172,800	185,600[c]	195,700[c]

a. 2012 Ontario Budget
b. 2011/12 Province of Ontario Consolidated Financial Statements
c. 2012 Ontario Economic Outlook and Fiscal Review

and the highest amount of debt owed by residents of a jurisdiction.

CONSEQUENCES OF HIGH INDEBTEDNESS

In our *2011 Annual Report*, we highlighted that the province's escalating indebtedness has a number of negative consequences. These include:

- debt-servicing costs taking away funding needed for other programs;
- greater vulnerability to increases in interest rates; and
- potential credit-rating downgrades and changes in investor sentiment.

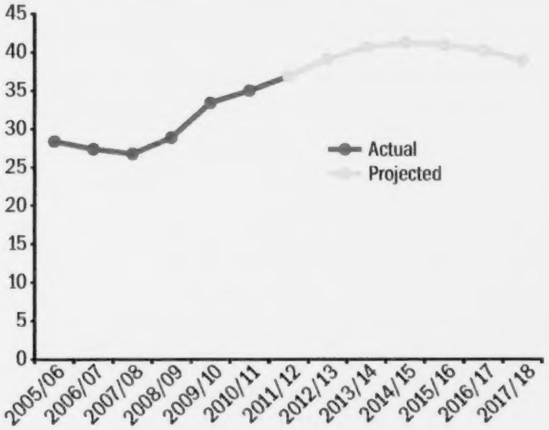
At that time, some analysts saw little evidence to suggest that Ontario's credit rating needed to be downgraded, although some noted that Ontario's large borrowing requirements, along with its growing reliance on foreign lenders, would increase this risk. However, there have been a number of developments in this regard since our *2011 Annual Report*.

ONTARIO'S CREDIT RATING

A credit rating is an assessment of a borrower's creditworthiness with respect to specified debt obligations. It indicates the capacity and willingness of a borrower to pay the interest and principal on these obligations in a timely manner. The province requires ratings from recognized credit-rating agencies to issue debt in capital markets. The three main credit-rating agencies are Moody's Investors Service (Moody's), Standard and Poor's (S&P), and DBRS.

Figure 2: Ontario Net Debt-to-GDP Ratio, 2005/06–2017/18 (%)

Source of data: 2012 Ontario Economic Outlook and Fiscal Review



Credit-rating agencies assess a government's creditworthiness largely based on its capacity to manage its debts, and they consider such factors as that government's economic resources and prospects, institutional strengths, financial health, and susceptibility to major risks. Investors use this credit rating when making investment decisions.

Credit ratings influence borrowing conditions by affecting both the cost and the availability of credit. A credit rating has an impact on the cost of future government borrowing because a lower rating indicates that the agency believes the risk of the government defaulting on its debt is higher, and investors will accordingly demand a greater risk premium in the form of a higher interest rate before they will lend to that jurisdiction. A rating downgrade can also result in a reduction of the potential market for a government's debt, as some investors are unable (due to contractual or institutional constraints) or unwilling to hold debt below a certain rating.

Credit-rating agencies use letter designations to rate a jurisdiction's debt. For example, Moody's assigns credit ratings of Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, WR (withdrawn) and NR (not rated). Obligations rated Aaa are judged to be of the highest quality and subject to the lowest level of credit risk, whereas obligations rated C are the lowest rated and are often in default, with little prospect for recovery of principal or interest. S&P and DBRS assign similar credit ratings ranging from AAA to D.

In addition to a credit rating, the agency may issue a credit outlook that indicates the potential direction of a rating over the intermediate term, typically six months to two years. When determining a rating outlook, the agency considers any changes in economic or fundamental business conditions. An outlook is not necessarily a precursor of

Figure 3: Net Debt ($), Net Debt to GDP (%) and Net Debt Per Capita ($) of Canadian Jurisdictions, 2011/12 and 2010/11

Source of data: 2011/12 Province of Ontario Annual Report and Consolidated Financial Statements, 2012 Federal Budget and budget updates, 2011/12 Annual Report and Consolidated Financial Statements of other provinces, 2012 provincial budgets, Statistics Canada, and the Office of the Auditor General of Ontario

	2011/12			2010/11		
	Net Debt (Net Asset) ($ million)	**Net Debt (Net Asset) to GDP (%)**	**Net Debt (Net Asset) Per Capita ($)**	**Net Debt (Net Asset) ($ million)**	**Net Debt (Net Asset) to GDP (%)**	**Net Debt (Net Asset) Per Capita ($)**
BC	35,973	17.0	7,815	30,637	15.2	6,728
AB	(18,991)	(6.6)	(4,901)	(21,653)	(7.4)	(5,784)
SK	3,560	6.3	3,343	3,783	6.2	3,600
MB	14,511	25.5	11,814	12,837	24.0	10,322
ON	235,582	36.9	17,647	214,511	35.0	16,134
QC	170,887	51.2	21,436	158,955	50.1	20,021
NB	10,046	32.6	13,311	9,480	33.2	12,565
NS	13,243	35.0	14,049	12,837	35.7	13,549
PEI	1,737	35.1	15,094	1,695	34.9	15,866
NL	7,769	23.5	12,037	8,129	28.8	11,723
Federal	650,135	37.8	18,796	616,900	38.0	17,987

a rating change but rather informs investors about the agency's view of the potential evolution of a rating—either up or down. A positive outlook means that a rating might be raised. A negative outlook means that a rating might be lowered, and a stable outlook means that a rating is not likely to change in the short term.

All three credit-rating agencies updated their assessment of the province's credit rating shortly after the government released its 2012 budget. Moody's had put the province on a credit watch in December 2011, and in April 2012 it downgraded Ontario's credit rating from Aa1 to Aa2. On the other hand, in April 2012 S&P revised its outlook on Ontario to "negative" from "stable" and maintained the province's current AA– rating, which it had downgraded in 2009. DBRS has not changed Ontario's rating since downgrading it to AA (low) in the fall of 2009. It may well be that Moody's downgrade is a catch-up to the S&P and DBRS downgrades in late 2009. Ontario's rating relative to other Canadian senior governments is shown in Figure 4.

IMPACT OF LOWER CREDIT RATING/ REVISED OUTLOOK

While downgrades and poorer outlooks for the provinces' credit ratings theoretically increase a government's future borrowing costs, there is no evidence yet suggesting these latest ratings have had a significant impact on Ontario's borrowing costs. Ontario's bond interest costs have remained relatively unchanged since the ratings were revised, which indicates investors still want to hold Ontario debt.

Ontario bonds remain relatively attractive because many other jurisdictions around the world have been affected by the 2008 global financial downturn to a greater extent, and investors are therefore reluctant to invest in these jurisdictions. The credit-rating agencies also believe that Ontario has the necessary fiscal flexibility to improve its financial position over the medium term, so have indicated they expect no more rating adjustments in the near future.

Figure 4: Credit Rating by Province and Balanced Budget Target Date

Source of data: Provincial and federal budget documents, and Laurentian Provincial Monitor, as of April 26, 2012

	Moody's Investors Service	DBRS	Standard & Poor's	Target Date for Return to Balanced Budget
BC	Aaa	AA (high)	AAA	2013/14
AB	Aaa	AAA	AAA	2013/14
SK	Aa1	AA	AAA	n/a (in surplus)
MB	Aa1	A (high)	AA	2014/15
ON	Aa2	AA (low)	AA-	2017/18
QC	Aa2	A (high)	A+	2013/14
NB	Aa2	A (high)	AA-	2014/15
NS	Aa2	A	A+	2013/14
PEI	Aa2	A (low)	A	2014/15
NL	Aa2	A	A+	2014/15
Federal	Aaa	AAA	AAA	2015/16

The government of Canada is also one of the few remaining jurisdictions in the world that has retained its Aaa/AAA credit rating—the highest that can be assigned. This means demand for Canadian government debt, both federal and provincial, is high, especially among investors looking for relatively risk-free investments. This demand works to push down interest rates. And, because investors associate Ontario debt with the perceived creditworthiness of the federal government, Ontario benefits from the relative strength of investor faith in federal government debt.

Even with its most recent downgrade, Ontario has the same credit rating as Quebec and the Maritime provinces, with a Moody's credit rating of Aa2. Only the federal government and the Western provinces have higher ratings.

CONCLUSION

In our *2011 Annual Report* we concluded that while the government had presented a plan to eliminate its annual deficits by the 2017/18 fiscal year, no strategy had been presented for paying down its existing and future debt. We indicated at the time that once deficits have been tackled, one strategy for paying down debt would be to hold the line on any future debt increases and use additional revenues generated by a growing economy to start reducing the debt. We went on to say that the government should consider providing legislators and the public with long-term targets and a strategy for how to address the current and projected debt burden. These comments continue to be appropriate.

MINISTRY RESPONSE

In order to meet the Province's fiscal targets, the government is managing spending. Last year, growth in program spending was less than 1%—the second-lowest rate of growth in Ontario in a decade. For the fourth year in a row, Ontario is ahead of its targets in lowering the deficit. The Province's deficit for the 2012/13 fiscal year is projected to be $14.4 billion, an improvement of $0.4 billion from the 2012 Budget forecast.

The Province's debt-to-GDP ratios are expected to increase due to the projected deficits and investments in capital. The ratios will stabilize and begin to decline as the deficit is eliminated. The net debt-to-GDP ratio is expected to peak in 2014/15 at 41.2%, which is below the 41.3% forecast in the 2012 Budget. The accumulated deficit-to-GDP ratio is expected to peak at 27.5% in 2014/15.

Update on the Unfunded Liability of the Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by the *Workplace Safety and Insurance Act, 1997* (Act). Its primary purpose is to provide income support and medical assistance to workers injured on the job. The WSIB receives no funding from government; it is financed through premiums on employer payrolls.

Over the past decade, our annual reports have made a number of references to our concerns about the significant growth in the WSIB's unfunded liability, which is the difference between the value of the WSIB's assets and its estimated financial obligations to pay benefits to injured workers. Our *2009 Annual Report* included a separate section that discussed our review of the WSIB's unfunded liability. In that section we expressed our concern that the growth and magnitude of the unfunded liability posed a risk to the system's financial viability and ultimately could result in the WSIB being unable to meet its existing and future commitments to provide worker benefits.

We also urged the government to reconsider the exclusion of the WSIB's financial results from the province's financial statements. Excluding these financial results is based on the WSIB's classification as a "trust"; however, given its significant unfunded liability and various other factors, we questioned whether the WSIB was operating like a true trust. Including the WSIB in the government's financial reporting would have a significant impact on the government's fiscal performance.

Despite efforts taken by management to improve the operations of the insurance fund, the WSIB's unfunded liability has continued to grow, principally due to a significant change to the discount rate introduced in 2011 that added $2 billion to the liability. Absent the impact of this change, the WSIB would have showed its first surplus in 10 years.

As of December 31, 2011, the unfunded liability totalled $14.2 billion, an increase of $2 billion from its December 31, 2010, balance of $12.4 billion. The WSIB's funding ratio—the percentage of assets to liabilities—was 52.2% as of December 31, 2011. (As of December 31, 2010, it had been 54.7%.)

In September 2010, the WSIB announced an independent funding review to provide advice on how to best ensure the long-term financial viability of Ontario's workplace safety and insurance system. The May 2012 report by Professor Harry Arthurs was comprehensive and contained a series of recommendations to ensure the WSIB remains financially stable and sufficiently funded.

In particular, the report recommended a new funding strategy for the WSIB, including the following key elements:

- realistic assumptions, including a discount rate based on the best actuarial advice;
- moving the WSIB as quickly as feasible beyond a "tipping point" of a 60% funding ratio (tipping point being defined as a crisis in which the WSIB could not within a reasonable time frame and by reasonable measures generate sufficient funds to pay workers' benefits); and
- putting the WSIB on course to achieve a 90%–110% funding ratio within 20 years.

In response to our concerns and to the recommendations of the Arthurs report, in June 2012 the government filed Regulation 141/12 under the Act, which, effective January 1, 2013, will require the WSIB to ensure it meets the following funding sufficiency ratios by specified dates:

- 60% on or before December 31, 2017
- 80% on or before December 31, 2022
- 100% on or before December 31, 2027

The regulation also requires the WSIB to submit a plan to the Minister of Labour by June 30, 2013, outlining the measures it will take to achieve these goals by the prescribed dates. As reported in our *2011 Annual Report* follow-up section, the WSIB continues to take actions that have recently improved its operating results and financial position. For example, during 2011, the WSIB reported its first operational surplus in 10 years (excluding the change in the discount rate discussed below). Increased premium revenue, fewer new lost-time claims, more workers returning to work sooner, and fewer workers suffering permanent impairment have not only contributed to these financial improvements but have demonstrated the WSIB's focus on getting injured workers back to work as quickly as possible.

However, the WSIB's ability to achieve the funding sufficiency ratios prescribed in the regulation will be affected by changes to certain actuarial assumptions and proposed new accounting standards.

- The discount rate is the interest rate used to calculate future benefit obligations in current dollars. In layman's terms, it is often perceived as the expected rate of return an insurance company or pension fund can earn on its investments. During 2011 a discount rate reduction from 7.0% to 5.5% resulted in an almost $2 billion increase in the unfunded liability. WSIB management have concluded that subject to any changes in accounting standards (as discussed below), it would be appropriate to retain this 5.5% discount rate for the period 2012–2015 and increase it to 6.0% thereafter. For example, reducing the discount rate by one percentage point would add approximately $2.1 billion to the benefits obligation.
- The WSIB reports its financial results based on International Financial Reporting Standards (IFRS). A proposed new standard for valuing insurance liabilities is expected to take effect as of the end of fiscal 2016. If approved in its current form, it could increase the unfunded liability significantly because it would require a further reduction in the discount rate WSIB uses to calculate its benefits obligation. Based on current market interest rates, this could increase the actuarial estimate of WSIB's benefit obligations by an estimated $3 billion. The new standard also proposes that a new risk margin be included in the benefits obligation that could increase the benefits obligation by a further $1 billion. (This new risk margin is similar to the actuarial provision for adverse deviations, which is a reserve for the likely difference between the actual result of a calculation and the corresponding result using best estimate assumptions.) Without any compensating increases in the WSIB's premiums rate, its investment performance or further success in reducing lost-time claims to reduce costs, the combined $4 billion impact of this proposed standard could significantly impair the WSIB's ability to meet its 2017 legislated funding ratio of 60%.

As a result of the government's commitments to address its unfunded liability, we support the continued classification of the WSIB as a trust for the 2011/12 fiscal year and therefore the exclusion of the unfunded liability from the province's liabilities. However, we will continue to monitor the progress being made toward meeting the funding sufficiency ratios prescribed by the regulation. Should we feel enough progress is not being achieved, we will re-evaluate our position.

WSIB RESPONSE

The proposed new IFRS standard for valuing insurance liabilities will have the effect of valuing liabilities using the market rates prevailing at discrete points in time. This introduces volatility as well as one-time changes of a very large magnitude, both positive and negative, depending on whether interest rates are rising or falling.

WSIB is following IFRS standards in preparing its financial statements. However, for purposes of complying with the funding sufficiency ratios prescribed by regulation, we believe that IFRS standards are not well suited to funding a going concern insurance fund such as the WSIB's. Consequently, the WSIB will consult with the government on the merits of adopting a "going-concern basis" to value the benefits liabilities of the insurance fund, for funding purposes. This will have the effect of using a long-term expected rate-of-investment return with which to value liabilities. This method will avoid potentially large multibillion-dollar swings in the valuation of liabilities from year to year and the consequent instability for employers who must fund the system and the workers who must rely on it.

Update on the Electricity Sector Stranded Debt

In Section 3.04 of our *2011 Annual Report*, we commented on the stranded debt of the electricity sector and the Debt Retirement Charge (DRC), a component of nearly every Ontario ratepayer's electricity bill.

The stranded debt arose with the passage of the *Energy Competition Act, 1998*, which resulted in a major restructuring of the electricity industry, including the breakup of the old Ontario Hydro into three main successor companies: Hydro One, Ontario Power Generation (OPG) and the Ontario Electricity Financial Corporation (OEFC). OEFC was given the responsibility to manage the legacy debt of the old Ontario Hydro and certain other liabilities not transferred to Hydro One and OPG.

OEFC inherited $38.1 billion in total debt and other liabilities from Ontario Hydro when the electricity market was restructured on April 1, 1999. Only a portion of the $38.1 billion was supported by the value of the assets of Hydro One, OPG and the Independent Electricity System Operator, leaving $20.9 billion of stranded debt not supported by assets.

The government's long-term plan to service and retire the $20.9 billion in stranded debt involved dividing it into two components:

- An estimated $13.1 billion was to be supported through future revenue streams from payments in lieu of taxes made by the electricity-sector companies (OPG, Hydro One and the municipal electrical utilities), and from the cumulative annual combined profits of OPG and Hydro One in excess of the government's $520-million annual interest cost of its investment in the two companies.
- The remaining $7.8 billion, called the residual stranded debt, was the estimated portion of the stranded debt that could not be supported by the expected dedicated revenue streams from the electricity companies. The *Electricity Act, 1998* authorized a new Debt Retirement Charge (DRC), to be paid by electricity ratepayers, until the residual stranded debt was retired.

This structure was intended to eliminate the stranded debt in a prudent manner while distributing the debt repayment burden between electricity consumers and the electricity sector.

Collection of the DRC began on May 1, 2002. The rate was established at 0.7 cents per kilowatt hour (kWh) of electricity and remains the same today. Currently, the OEFC collects more than $940 million a year in DRC revenue. As of March 31, 2012, approximately $9.7 billion in DRC revenue had been collected.

Our *2011 Annual Report* focused on providing details about how much DRC revenue has been collected, the progress in eliminating the residual stranded debt, and when electricity ratepayers might expect to see the DRC eliminated.

Section 85 of the *Electricity Act, 1998* (Act) entitled "The Residual Stranded Debt and the Debt Retirement Charge" gave the government the authority to implement the DRC, and this same section specifies when it is to end. The key observations from our *2011 Annual Report* were based on our interpretations of the provisions of section 85 of the Act and assessing whether these provisions had been complied with in both spirit and form. Specifically, section 85 requires that the Minister of Finance determine the residual stranded debt "from time to time" and to make these determinations public. When the Minister determines that the residual stranded debt has been retired, collection of the DRC must cease.

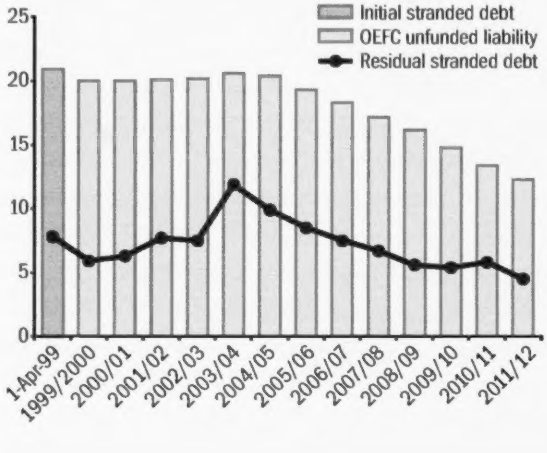
While the Act did not specify precisely how the determination of the residual stranded debt was to be done, it does allow the government, by regulation, to establish what is to be included in its calculation. We also observed that the term "from time to time" was not formally defined, and could be left solely up to the government of the day to determine. Since the passage of the Act more than a decade ago, we noted the Minister had made no such public determination of the outstanding amount of the residual stranded debt. Our view was that the intent of section 85 was that Ministers had an obligation to provide a periodic update to ratepayers on what progress their payments were having on paying down the residual stranded debt. We concluded that a decade was long enough, and suggested the Minister should provide ratepayers with an update.

In response to these observations, the government introduced Regulation 89/12 under the Act on May 15, 2012, to provide transparency and meet reporting requirements on the outstanding amount of residual stranded debt. The new regulation formally establishes how the residual stranded debt is to be calculated, and requires annual reporting of the amount in *The Ontario Gazette*.

We were pleased to see this increased level of transparency was also reflected in the 2012 budget, which contained a residual stranded debt estimate of $5.8 billion as of March 31, 2011, and a projected estimate of $4.5 billion as of March 31, 2012. Prior to the 2012 budget, there had been no public update provided on the estimated residual stranded debt since the $7.8 billion estimate on April 1, 1999. The update in the 2012 Ontario Economic Outlook and Fiscal Review also contained the chart, illustrated in Figure 5, reflecting annual residual stranded debt estimates back to April 1, 1999, and amounts going up to March 31, 2012.

Figure 5: Residual Stranded Debt and OEFC Unfunded Liability for Each Fiscal Year Since 1999 ($ billion)

Source of data: 2012 Ontario Economic Outlook and Fiscal Review



Use of Legislation to Override Accounting Standards

One significant recent development in Canadian public accounting is that some governments have legislated specific accounting treatments that would apply in certain circumstances rather than relying on established generally accepted accounting principles to prescribe how transactions would be recorded. On several occasions in recent years the Ontario government has done this by passing legislation or regulations that give it the authority to prescribe specific accounting policies for its public sector entities.

We first raised concerns about this practice in our *2008 Annual Report*, where we warned that it was a troubling precedent to establish accounting principles through legislation rather than through an independent, consultative process such as that followed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Although this and subsequent developments have not yet resulted in the province's consolidated financial statements containing a material departure from PSAB standards, the risk of such departures in future financial statements has increased. Here is a chronological synopsis of these developments since 2008:

- The *Investing in Ontario Act, 2008* (Act) and related regulations allowed the government to reduce its accumulated deficit and provide additional transfers to eligible recipients from unplanned surpluses reported in its consolidated financial statements. Any transfers made under the Act would be recorded as an expense of the government for that fiscal year irrespective of PSAB accounting standards.
- In the 2009/10 fiscal year, the *Education Act* and the *Financial Administration Act* were amended. Amendments under the *Education Act* specified that the government can prescribe the accounting standards that school boards use in preparing financial statements. Amendments under the *Financial Administration Act* allow the government to specify the accounting standards to be used by any public or non-public entity whose financial statements are included in the province's consolidated financial statements. School boards and certain other government organizations are affected by both these legislative amendments.
- In 2011, a regulation under the *Financial Administration Act* directed Hydro One to prepare its financial statements in accordance with U.S. generally accepted accounting principles, effective January 1, 2012. The government has since provided the same direction to OPG. American accounting rules allow for rate-regulated entities to defer expenses to future years; the government's direction to follow U.S. rules came in anticipation of the planned Canadian adoption of International Financial Reporting Standards, which do not provide for the use of rate-regulated accounting.
- Ontario government regulations now require capital transfers and transfers of tangible capital assets to be accounted for by transfer recipients as deferred capital contributions. The amounts transferred are to be brought into revenue at the same rate as amortization expense is recognized on the related assets. We have historically supported this accounting as we believe that in most instances it complies with generally accepted accounting principles. However, PSAB standards are open to interpretation in this respect, so to ensure consistency the government considered it necessary to introduce a regulation requiring this treatment.
- The direction taken by the province beginning in 2008 to legislate accounting standards was further supported in the *Strong Action for Ontario Act (Budget Measures), 2012*, the latest amendments to the *Financial Administration Act*. These amendments provide the government with full authority to make regulations regarding the accounting policies and practices used to prepare its consolidated financial statements.

We believe it is critical that Ontario continue to prepare its financial statements in accordance with generally accepted PSAB standards.

As the auditor of the province's consolidated financial statements, I am required by the *Auditor General Act* to provide an opinion on "whether the consolidated financial statements of Ontario, as reported in the Public Accounts, present fairly information in accordance with appropriate generally accepted accounting principles." If I conclude that the government's reported deficit or surplus under legislated accounting standards is significantly different than what it would be under generally accepted accounting standards, I will need to include a reservation in my audit opinion. However, based on the past 19 consecutive years of "clean" audit opinions, I am hopeful that this situation will not arise.

Future Public Accounts Issues

Most Canadian governments use PSAB standards in preparing their annual budgets, printed estimates, economic updates and year-end consolidated financial statements. When governments use the same set of accounting standards to prepare their key financial reports, the public can evaluate the government's expected financial performance against actual results and against the results of other jurisdictions. PSAB standards are intended to help governments publicly demonstrate stewardship over the resources they manage, and thereby strengthen accountability to taxpayers.

ACCOUNTING STANDARDS FOR GOVERNMENTS

Accounting standards specify how and when transactions and other events are to be recognized, measured and disclosed in financial statements. To be objective and credible, accounting standards should be established by an independent, recognized professional body using a comprehensive, open and transparent standard-setting process.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants is responsible for establishing accounting standards for the public sector. PSAB standards represent generally accepted accounting principles for governments in Canada and are the primary source of guidance for public-sector accounting.

The PSAB emphasizes due process to ensure that the views of all interested parties are heard and considered, thereby maintaining the objectivity of the standard-setting process. In developing or revising an accounting standard, the PSAB generally follows these five steps:

- basic research;
- approval of a project proposal;
- issuing a statement of principles to a designated group of accountants and non-accountants for feedback;
- issuing one or more public exposure drafts and soliciting comments from all interested individuals and organizations; and
- approving and publishing a final standard.

Canada is generally regarded as a public sector world leader with respect to the consistent application of generally accepted accounting standards at all three levels of government. However, maintaining this leadership role will not be without challenges. For instance, in the past few years, Canadian governments, including Ontario, have become concerned with several of the PSAB's accounting and financial reporting proposals. In the next section, we discuss two areas—financial instruments and rate-regulated accounting—where they have questioned whether proposed standards adequately reflect the unique environment in which governments operate when making decisions on financial reporting, budgeting and fiscal policy.

Financial Instruments

The PSAB's project to develop a new standard for the reporting of financial instruments began in January 2005 with the creation of a PSAB task force. Examples of financial instruments include debt, and derivatives such as currency swaps and foreign-exchange forward contracts. One of the key issues the task force had to address was whether changes in the fair value of derivative contracts held by a government should be reflected in its financial statements and, in particular, whether such changes should affect the government's annual surplus or deficit.

In March 2011, the PSAB approved a new standard effective for fiscal periods beginning on or after April 1, 2015. The new public-sector accounting standard—PS 3450 "Financial Instruments"—provides guidance on the recognition, measurement, presentation and disclosure of government financial instruments, and is similar to the standards applicable to the private sector. One of its main requirements is that certain financial instruments, including derivatives, are to be recorded at fair value, and any unrealized gains or losses must be recorded annually in a new statement of remeasurement gains and losses.

Ontario, along with certain other Canadian governments, did not endorse the introduction of fair-value remeasurements and the recognition of unrealized gains and losses on its derivative holdings. Ontario's view is that derivatives are used solely to mitigate foreign currency and interest-rate risks related to its long-term-debt holdings and that it has both the intention and ability to hold its derivatives until the associated debt matures. Accordingly, remeasurement gains and losses would net out to zero over the period to maturity and therefore have no long-term economic impact on annual government resource inflows or outflows. The government argues that recording paper gains and losses each year would reintroduce the very volatility the derivatives were acquired to avoid in the first place.

Therefore, its view is that the inclusion of fair-value gains and losses in a government's financial reports, even if reported outside the statement of operations, does not reflect the economic substance of government financing transactions and does not meet the public's needs for transparent information on government finances.

It should be noted that the PSAB is committed to reviewing these standards on or before December 31, 2013, and has noted that its Concepts Underlying Financial Performance project might identify issues that need to be addressed within the financial instrument standard.

MINISTRY RESPONSE

Ontario supports public-sector accounting standards that promote transparency and accountability in reporting on how taxpayer dollars are spent, and that support sound fiscal-policy decisions. Concerns with the introduction of fair-value accounting concepts into government financial reports are based on the fact that they will cause significant fluctuations in the recorded value of derivatives on a year-over-year basis as a result of movements in interest and exchange rates. Such results would, in turn, introduce difficult-to-explain fluctuations in the province's net debt, a key measure upon which both investors and credit-rating agencies rely when assessing the financial health of the province.

Rate-regulated Accounting

Over the past four years, we have raised concerns about the appropriateness of recognizing rate-regulated assets and liabilities in the government's consolidated financial statements. Rate-regulated accounting practices were developed to recognize the unique nature of regulated entities such as electricity generators, transmitters, and distributors. Under rate-regulated accounting, a regulator established under legislation, such as the Ontario Energy Board, approves the prices that a regulated entity may charge customers, and often allows regulated entities to defer certain costs for recovery in future periods. Such costs are typically set up as assets that, under normal generally accepted accounting principles, would be expensed in the year incurred.

Ontario's electricity sector has three major provincially owned organizations—OPG, Hydro One and the OPA—that use rate-regulated accounting and whose financial position and operating results are included in the government's consolidated financial statements. The use of rate-regulated accounting by certain rate-regulated entities, while still allowed under Canada's generally accepted accounting principles, could be disallowed in the near future. PSAB standards currently allow OPG and Hydro One, which are defined as government business enterprises, to be included in the province's consolidated financial statements without their accounting policies being adjusted to remove the impact of rate-regulated accounting. Given the PSAB's position, we accepted this accounting treatment even though we questioned whether rate-regulated assets and liabilities met the definition of *bona fide* assets or liabilities for the purposes of the government's consolidated financial statements.

However, the OPA does not meet the PSAB criteria of being a government business enterprise, so the impact of rate-regulated accounting on its results should have been removed before the OPA was included in the consolidated statements. (This did not have a material impact on the province's reported results and therefore did not affect our audit opinion).

Last year we reported that the era of rate-regulated accounting appeared to be ending for jurisdictions such as Canada that were converting to International Financial Reporting Standards. In January 2012, Canada's Accounting Standards Board reaffirmed that all government business enterprises should prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2012, which would mean that accounting for rate-regulated balances would no longer be allowed under Canadian accounting standards.

However, since that time, the rate-regulated landscape has changed again. The accounting standard-setter in the United States, the Financial Accounting Standards Board, has not adopted IFRS and therefore continues to allow rate-regulated accounting. Partly in an effort to reconcile U.S. generally accepted accounting principles with IFRS, in March 2012 Canada's Accounting Standards Board granted a one-year extension, to January 1, 2013, to the mandatory IFRS changeover date for entities with qualifying rate-regulated activities. In September 2012, it granted an additional one-year extension, to January 1, 2014. Therefore, PSAB accounting standards will continue to allow OPG and Hydro One to use rate-regulated accounting for inclusion in the province's consolidated financial statements until that time. Most recently, in late September 2012, the International Accounting Standards Board (IASB) decided to restart its project on rate-regulated accounting to consider the use of this accounting method under IFRS.

Ontario's Ministry of Finance contends that the province's rate-regulated assets and liabilities might meet PSAB standards without reference to any of the rate-regulated provisions from Canada's Accounting Standards Board. As the Ministry is aware, we do not agree with this position. In its March 31, 2012, Annual Report and Consolidated Financial Statements, the government commented specifically on rate-regulated accounting, noting that:

> Under these practices, a regulated entity may defer certain costs that are expected to be recovered in future, creating an asset on its balance sheet. Without rate-regulated accounting, these costs would be expensed in the year they were incurred, which could result in significant fluctuations in consumer electricity rates.

The government recently passed a regulation allowing for and subsequently directing both Hydro One and OPG to prepare their future financial statements in accordance with U.S. generally accepted accounting principles, which allow for rate-regulated accounting. In the government's view, these regulations are required because the IASB has not yet completed its deliberations on the future of rate-regulated accounting. We are not the auditors of Hydro One or OPG, and so our concern is not the impact of this regulation on their individual financial statements. However, with the deferral of the issue to January 1, 2014, it is the effect their accounting policies might have on the province's consolidated financial statement of March 31, 2014, and subsequent statements, that is our concern.

MINISTRY RESPONSE

The Ministry recognizes the ongoing challenges in the accounting-standards-setting environment to achieve consensus on the required approach for rate-regulated accounting. Given the deferral by the standards-setters to resolve this issue, the government had directed Hydro One and OPG to follow U.S. GAAP to allow the entities to continue to account for their rate-regulated assets and liabilities consistent with historical Canadian GAAP. This decision was consistent with actions by both the Canadian Securities Administrators and the Ontario Securities Commission that have enabled rate-regulated utilities to submit their financial statements on a U.S. GAAP basis until 2014. This also helped to ensure consistency in reporting among the province's rate-regulated entities until outstanding issues are resolved.

In late September 2012, the International Accounting Standards Board decided to restart its project on rate-regulated accounting. The government looks forward to the standards-setters undertaking this review and, ultimately, to resolution of the outstanding certainty regarding the future of rate-regulated accounting.

Statutory Matters

Under section 12 of the *Auditor General Act*, I am required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, section 91 of the *Legislative Assembly Act* requires that I report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

LEGISLATIVE APPROVAL OF EXPENDITURES

Shortly after presenting its budget, the government tables detailed Expenditure Estimates in the Legislative Assembly outlining, on a program-by-program basis, each ministry's spending proposals. The Standing Committee on Estimates (Committee) reviews selected ministry estimates and presents a report on them to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are so reported to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of two hours and then voted on. For a more in-depth discussion of the legislative estimates review process, see section 3.07 of this Annual Report.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs, typically those set out in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act, 2012*, which pertained to the fiscal year ended March 31, 2012, received Royal Assent on April 24, 2012.

The *Supply Act* does not typically receive Royal Assent until after the start of the fiscal year—and sometimes even after the related fiscal year—but ministry programs require interim spending authority prior to its passage. For the 2011/2012 fiscal year, the Legislature authorized these payments by passing two acts allowing interim appropriations: the *Interim Appropriation for 2011-2012 Act, 2010*; and the *Supplementary Interim Appropriation Act, 2011*. These two acts received Royal Assent on December 8, 2010, and May 12, 2011, respectively, and authorized the government to incur up to $114.5 billion in public service expenditures, $3.5 billion in investments, and $193.5 million in legislative offices expenditures. Both acts were made effective as of April 1, 2011.

The two interim acts provided the government with sufficient temporary appropriations to allow it to incur expenditures from April 1, 2011, to when the *Supply Act, 2012* received Royal Assent on April 24, 2012. As the legal spending authority under the interim acts was intended to be temporary, they were repealed under the *Supply Act, 2012*, and the authority to incur expenditures provided under them was subsumed into the authority provided under the *Supply Act, 2012*, which increased total authorized legislative offices expenditures from $193.5 million to $197 million.

SPECIAL WARRANTS

If the Legislature is not in session, section 1.0.7 of the *Financial Administration Act* allows for the issuance of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council and approved by the Lieutenant Governor on the recommendation of the government.

No Special Warrants were issued for the fiscal year ended March 31, 2012.

TREASURY BOARD ORDERS

Section 1.0.8 of the *Financial Administration Act* allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any voted appropriation that is expected to be insufficient to carry out the purpose for which it was made. The order may be made only if the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other voted appropriations not fully spent in the fiscal year. The order may be made at any time before the books of the government for the fiscal year are closed. The government considers the books to be closed when any final adjustments arising from our audit have been made and the Public Accounts have been tabled in the Legislature.

Even though the *Treasury Board Act, 1991* was repealed and re-enacted within the *Financial Administration Act* in December 2009, subsection 5(4) of the repealed act was retained and allows the Treasury Board to delegate to any member of the Executive Council or to any public servant employed under the *Public Service of Ontario Act, 2006* any power, duty, or function of the Treasury Board, subject to limitations and requirements that the Treasury Board may specify. This delegation will continue to be in effect until replaced by a new delegation. For the fiscal year ended March 31, 2012, the Treasury Board delegated its authority to ministers for issuing Treasury Board Orders to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making transfers in programs between ministries and making supplementary appropriations from contingency funds. Supplementary appropriations are Treasury Board Orders in which the amount of an appropriation is offset by a reduction to the amount available under the government's centrally controlled contingency fund.

Figure 6 summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

Figure 7 summarizes Treasury Board Orders for the fiscal year ended March 31, 2012, by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2011/12 fiscal year are expected to be published in *The Ontario Gazette* in the near future. A detailed listing of 2011/12 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

Figure 6: Total Value of Treasury Board Orders, 2007/08–2011/12 ($ million)

Source of data: Treasury Board

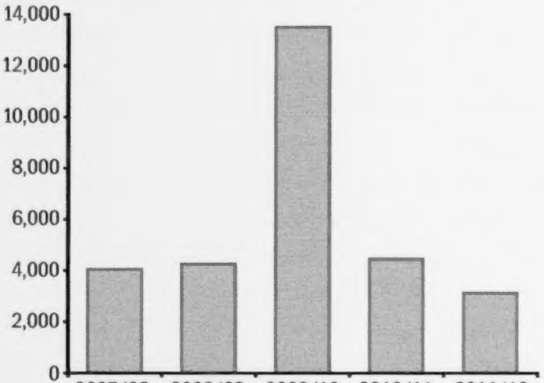


Figure 7: Total Value of Treasury Board Orders by Month Relating to the 2011/12 Fiscal Year

Source of data: Treasury Board

Month of Issue	#	Authorized ($ million)
April 2011–February 2012	81	2,544
March 2012	31	329
April 2012	8	54
August 2012	1	190
Total	**121**	**3,117**

Figure 8: Authorized Transfers Relating to the Office of the Assembly, 2011/12 Fiscal Year ($)

Source of data: Board of Internal Economy

From:		
Item 2	Office of the Clerk	(9,900)
Item 3	Legislative Services	(9,200)
Item 6	Sergeant at Arms and Precinct Properties	(41,800)
Item 8	Caucus Support Services	(109,900)
Item 9	Members' Compensation and Travel	(1,366,100)
To:		
Item 4	Information and Technology Services	51,100
Item 5	Administrative Services	7,300
Item 10	Members' Office Support Services	1,476,000
Item 12	Lieutenant Governor's Suite	2,500

TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one item of the Estimates of the Office of the Assembly to another item within the same vote, section 91 of the *Legislative Assembly Act* requires that we make special mention of the transfer(s) in our Annual Report.

Accordingly, Figure 8 shows the transfers made within Vote 201 with respect to the 2011/12 Estimates.

UNCOLLECTIBLE ACCOUNTS

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amounts due to the Crown that are the subject of a settlement or deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2011/12 fiscal year, receivables of $816.4 million due to the Crown from individuals and non-government organizations were written off. (The comparable amount in 2010/11 was $432.1 million.) The writeoffs in the 2011/12 fiscal year related to the following:

- $382.2 million for uncollectible retail sales tax ($71.9 million in 2010/11);
- $155.8 million for uncollectible corporate tax ($65.1 million in 2010/11);
- $114.1 million for uncollectible receivables under the Student Support Program ($145.2 million in 2010/11);
- $86.3 million for uncollectible receivables under the Ontario Disability Support Program ($118.8 million in 2010/11);
- $48.9 million for uncollectible employer health tax ($6.4 million in 2010/11); and
- $29.1 million for other tax and non-tax receivables ($24.7 million in 2010/11).

Volume 2 of the 2011/12 Public Accounts summarizes the writeoffs by ministry. Under the accounting policies followed in the preparation of the consolidated financial statements of the province, a provision for doubtful accounts is recorded against accounts receivable balances. Accordingly, most of the writeoffs had already been expensed in the government's consolidated financial statements. However, the actual writeoff in the accounts required Order-in-Council approval.

Chapter 3

Reports on Value-for-money Audits and Reviews

Our value-for-money (VFM) audits are intended to examine how well government ministries, organizations in the broader public sector, agencies of the Crown and Crown-controlled corporations manage their programs and activities. These audits are conducted under subsection 12(2) of the *Auditor General Act*, which requires that the Office report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of service delivery. Where relevant, such audits also encompass compliance issues. Essentially, VFM audits delve into the underlying operations of the ministry program or organization being audited to assess both their cost-effectiveness and the service level the public is receiving. This chapter contains the conclusions, observations and recommendations for the VFM audits and one review conducted in the past audit year.

The ministry programs and activities and the organizations in the broader public sector audited this year were selected by the Office's senior management on the basis of various criteria, such as a program's or organization's financial impact, its perceived significance to the Legislative Assembly, related issues of public sensitivity and safety, and the results of past audits and related follow-up work.

We plan, perform and report on our value-for-money work in accordance with the professional standards for assurance engagements established by the Canadian Institute of Chartered Accountants, which encompass value for money and compliance. They entail conducting the tests and other procedures that we consider necessary, including obtaining advice from external experts when appropriate.

Before beginning an audit, our staff conduct in-depth research into the area to be audited and meet with auditee representatives to discuss the focus of the audit, including our audit objectives and criteria. During the audit, staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. At the conclusion of the audit fieldwork, which is normally completed by late spring of that audit year, significant issues are discussed with the auditee and a draft audit report is prepared. Then senior Office staff meet with senior management from the auditee to discuss the draft report and the management responses to our recommendations. In the case of organizations in the broader public sector, discussions are also held with senior management of the funding ministry.

Once the content and responses for each VFM audit report are finalized, the VFM audit reports are incorporated as sections of this chapter of the Annual Report.

Chapter 3

Section

3.01

Cancer Care Ontario

Cancer Screening Programs

Background

Cancer Care Ontario (CCO), formerly known as the Ontario Cancer Treatment and Research Foundation, was created in 1943 under the *Ontario Cancer Treatment and Research Foundation Act*. In 1997, the agency officially changed its name to Cancer Care Ontario and became governed by the *Cancer Act*. CCO is responsible for co-ordinating and overseeing cancer services in Ontario. It works with each of the province's Local Health Integration Networks (LHINs) to address local and regional needs and advises government on cancer matters.

CCO directs health-care funding to hospitals and other care providers, with the aim of delivering quality and timely cancer services throughout the province. It is also responsible for implementing cancer prevention and screening programs.

CCO has 13 regional cancer programs across the province. These programs bring together health-care professionals and organizations involved in cancer prevention and care. Each regional cancer program is led by a CCO regional vice-president. The regional programs are required to ensure that service providers meet the requirements and targets set out in their partnership agreements with CCO.

Regional Cancer Centres are responsible for cancer screening and treatment services. Prior to 2004, these centres were stand-alone organizations managed by CCO. On January 1, 2004, the centres formally integrated with their partner hospitals to provide more comprehensive care under one location.

In 2011/12, CCO had total expenditures of $887 million, $92 million of which was spent on cancer screening programs.

Audit Objective and Scope

The objective of our audit was to assess whether Cancer Care Ontario (CCO) had adequate policies and procedures in place to:

- monitor and assess whether cancer screening programs were provided in accordance with legislation, agreements and applicable directives/policies; and
- measure and report periodically on achievements of cancer-screening-program objectives.

Our audit objectives and criteria were reviewed and agreed to by CCO senior management.

In conducting our audit, we reviewed relevant legislation and administrative policies and procedures, and we interviewed appropriate CCO head-office staff and Ministry of Health and Long-Term Care (Ministry) staff. We also visited sites in the following regions: Greater Toronto Area, Hamilton Niagara Haldimand Brant, South West (London), Champlain (Ottawa) and North East (Sudbury) to review files and other summary information available for the Ontario Breast Screening Program and the colorectal cancer screening program. We also contacted these sites to obtain information on the cervical cancer screening program. To obtain a better understanding of and perspective on cancer screening programs, we spoke to various stakeholders, such as the Canadian Cancer Society, the Institute of Clinical Evaluative Sciences, and the Cancer Quality Council of Ontario. We also contacted similar cancer agencies in Manitoba, Alberta and British Columbia.

Our audit included a review of related activities of CCO's Internal Audit Department. We reviewed its recent reports and, when we planned our work, considered its audit work and any relevant issues it had identified.

Summary

Similarly to agencies in other jurisdictions such as Australia, New Zealand, the United Kingdom and other Canadian provinces, CCO has implemented cancer screening programs for breast, colorectal and cervical cancers. The key objective for each of the three cancer screening programs is to reduce the number of deaths from cancer through early detection and treatment. The mortality rates from these three types of cancer have fallen in Ontario over the past two decades. In this regard, Ontario's mortality rates are similar to the Canadian averages for these types of cancer.

Our major observations with respect to these three screening programs were as follows:

- We noted that CCO appropriately used recognized clinical evidence in deciding what types of cancer warranted formal screening programs. Both the Ministry of Health and Long-Term Care, through a $45-million funding commitment in 2010, and CCO, through recent initiatives, have clearly recognized the need to increase screening participation rates, especially for people considered to be at increased risk for cancer.
- Participation in breast cancer and cervical cancer screening achieved ministry targets but fell short of CCO's own targets. As of 2009/10, colorectal cancer screening in Ontario fell short of both the Ministry's and CCO's targets, and almost half of the targeted population remained unscreened. In total, between 2008 and 2010 only 27% of eligible women completed all three cancer screening tests recommended for their age group. As well, participation in the screening programs appears to have reached a plateau, and CCO is looking at ways to address this.
- There were wait times for screening services for all three types of cancer:
  - In visits to regional offices, we found mammography screening wait times for women with an average risk for breast cancer but no symptoms ranged from just over two weeks to 10½ months. CCO found that, in its program that targets women considered at high risk for breast cancer, the wait time for genetic assessments of screening eligibility averaged 84 days.
  - For colorectal screening, almost 30% of cases did not have a follow-up colonoscopy within the benchmark time established by CCO. The data showed that, in 2011/12, the median wait times for a colonoscopy were 12 weeks for individuals with family histories of colon cancer and six weeks for those needing to be followed up after a positive Fecal Occult Blood Test (FOBT). However, we found instances in hospital records we reviewed where the wait times were as long as 72 weeks for individuals with family histories of colon cancer and 17 weeks for those whose FOBT was positive.

  - For cervical cancer screening, a recent CCO preliminary review showed that the median wait time for a colposcopy (a diagnostic procedure following up on abnormal cervical Pap test results) for high-grade abnormalities was about three months.
- Even though they are at greater risk of dying of cervical cancer, older women were screened at a much lower rate than younger women. CCO has said that physicians too often link Pap testing for cervical cancer to annual health exams, contraception counselling and screening for sexually transmitted infections. Because older women often have fewer contraceptive and lifestyle reasons to see their doctor, they often do not get tested. Meanwhile, many low-risk younger women were being screened more often than necessary.
- The level of quality assurance measures for each of the screening programs varied considerably. CCO had developed a comprehensive quality assurance program to assess and monitor the breast cancer screening program, but 20% of screenings took place outside CCO's program and therefore were not subject to the requirements. CCO had set up some quality assurance processes for the colorectal cancer screening program, but none for the cervical cancer screening program.
- CCO did not analyze and monitor whether individual endoscopists (specialists who look inside a body cavity or organ using an endoscope) met performance requirements. For instance, endoscopists are required to perform at least 200 colonoscopies annually to achieve or maintain competency. From data for the years 2008/09 to 2010/11, we found that more than 20% of endoscopists had not met this competency requirement.
- There was a significant backlog for follow-up reviews of mammography images in cases in which a woman was diagnosed with cancer after having had a breast cancer screening test that reported normal results. These follow-up reviews are done to see if the cancer was missed at the previous screening or whether the cancer actually developed after the previous screening (this is referred to as an interval cancer). In 2009, 225 reviews were completed, of which 81 warranted further investigation. Of these 81 cases, about half were subsequently classified as missed-at-screening. No interval cancer reviews were done from the end of 2009 to July 2011, because CCO's Ontario Breast Screening Program radiologist-in-chief had retired and a new radiologist-in-chief was not hired until July 2011. At the time of our audit, a backlog of almost 900 interval cancer cases needed to be reviewed. CCO informed us that it expected to complete its follow-up review of these cases by December 2012.
- CCO measured and reported on its achievement of cancer-screening-program objectives, including annually publishing its program indicators for its three screening programs through the Cancer Quality Council of Ontario's Cancer System Quality Index and periodically issuing performance evaluations of its three cancer screening programs.

OVERALL CCO RESPONSE

Cancer Care Ontario (CCO) welcomes the recommendations in this audit. The audit acknowledges the sound processes CCO has in place to assess whether a cancer screening program is needed and recognizes the Ontario-wide commitment to establish high-quality, evidence-based screening programs for breast, cervical and colorectal cancer.

Screening is most effective when offered through a high-quality organized program that promotes participation; identifies and follows the target population through the screening journey; sends eligible people invitations, results letters and recalls to screening;

incorporates follow-up processes for those with abnormal test results; ensures access to high-quality diagnostic services; and includes program evaluation and reporting.

The audit identifies areas that CCO is already working to address, reinforcing the value of its current work and its future directions. CCO will continue to work closely with the Ontario Ministry of Health and Long-Term Care to ensure that Ontarians have access to high-quality cancer screening services.

OVERALL MINISTRY RESPONSE

The Ministry acknowledges the recommendations contained in the Auditor General of Ontario's cancer screening report and thanks him for conducting this timely audit. The Ministry is committed to the development and implementation of innovative initiatives and solutions that address the impact of cancer and other chronic diseases on Ontarians. We welcome any insights and recommendations from the Auditor General that may help to further inform our ongoing planning and implementation of cancer screening programs and services.

Breast, cervical and colorectal cancer screening saves lives when these cancers are detected in early stages. The Integrated Cancer Screening (ICS) program, delivered by the Ministry in partnership with CCO, is integrating existing breast, cervical and colorectal cancer screening programs and services into one co-ordinated provincial program to support the public, providers and health-system planners in improving the quality and uptake of screening.

CCO reports that between 1990 and 2007, breast cancer mortality rates declined by 35% for women aged 50–69 and by 29% for all ages. Since the program was launched in 1990, the Ontario Breast Screening Program (OBSP) has provided more than 4.1 million screens to more than 1.2 million women aged 50 and older across Ontario and detected more than 22,000 cancers, the majority in the early stages. In March 2011, the OBSP was expanded to include women aged 30–69 years who are at high risk for breast cancer due to genetic factors, medical or family history.

As for colorectal cancer screening, the 2012 Cancer System Quality Index (CSQI) reported that in 2010, just over half of Ontarians aged 50–74 were up-to-date with Fecal Occult Blood Test, flexible sigmoidoscopy and/or colonoscopy. The Ministry and CCO are committed to further increasing participation in colorectal cancer screening, including evaluating new screening technology for use in Ontario.

Detailed Audit Observations

STRATEGIC INITIATIVES

Over the years, Cancer Care Ontario (CCO) has developed a number of strategic initiatives to reduce the incidence and mortality from cancers. In 2003, CCO in collaboration with the Canadian Cancer Society issued *Cancer 2020, Targeting Cancer: An Action Plan for Cancer Prevention and Detection*, a report that provided a long-term provincial plan for reducing the number of people diagnosed with, and dying from, cancer by 2020. In addition to this long-term plan, CCO developed and released three separate three-year Ontario Cancer Plans to provide a more detailed road map for cancer care.

In 2010, the Ministry of Health and Long-Term Care (Ministry) initiated an Integrated Cancer Screening (ICS) strategy. The Ministry committed $45 million to CCO from the 2010/11 through 2012/13 fiscal years to implement the strategy, which aims to, among other things, increase patient participation in screening, make primary-care providers aware of their role in the process, expand information systems to better identify eligible and high-risk people, and better monitor and report on the screening process.

CCO has implemented three cancer screening programs—the Ontario Breast Screening Program, ColonCancerCheck and a cervical cancer screening program. Our review showed that CCO had sound processes in place to assess whether a cancer screening program should be established and that its decisions were based on clinical evidence that demonstrated that screening was effective in reducing mortality. According to a national body's expert panel, Canadian Partnership Against Cancer (CPAC), a "reduction in cancer mortality is the definitive requirement to confirm that the screening test is effective."

We noted that the criteria used to determine which types of cancer warranted screening programs were in accordance with principles established by the World Health Organization (WHO). These criteria included, for example, an assessment of whether the condition is an important health problem, whether a suitable screening test or examination exists, and whether the overall benefit of the screening program outweighs potential harm from its application. For instance, in the case of prostate cancer, the balance of evidence has suggested that the harm of implementing an organized prostate cancer screening program may outweigh the benefits. CCO has indicated that it is continuing to monitor the current research work in this and other types of cancer, such as lung cancers.

CANCER SCREENING PROGRAMS

There is substantial evidence to demonstrate that early screening and detection is critical in helping to reduce deaths from cancer. Early detection of cancers can lead to less invasive treatments and improved health outcomes.

As agencies in other jurisdictions such as Australia, New Zealand, the United Kingdom and other Canadian provinces have done, CCO has implemented cancer screening programs for breast, colorectal and cervical cancers.

A review of the mortality rates from 1992 to 2012 showed a decrease in the rates for each of the three types of cancers over the period. However, the rates of decline have slowed in recent years, as shown in Figure 1. According to Canadian Cancer Society data, Ontario's mortality rates for these three cancer types are comparable to those of most Canadian provinces, with British Columbia, Alberta and New Brunswick having slightly lower rates.

CCO told us that its efforts under the Integrated Cancer Screening strategy to improve screening participation rates and the quality of screening services would help accelerate the reduction of cancer mortality rates.

Participation in and Access to Cancer Screening Programs

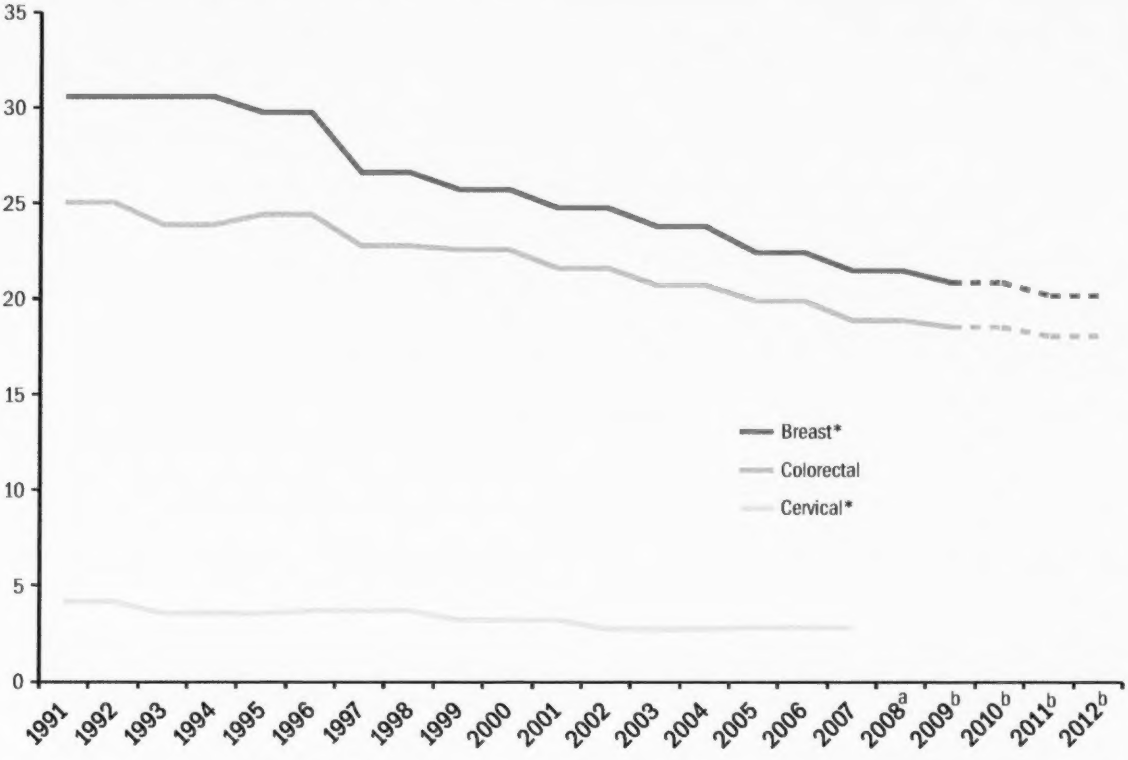
Screening programs are effective if they reach a sizeable percentage of the target population. Over the years, many different target participation rates have been established to guide cancer screening.

The *Cancer 2020* report in 2003 set participation rate targets of 90% to 95%, but CCO subsequently established what it deemed were more realistic target rates in its three-year Ontario Cancer Plans. Then, the Ministry, seeing that participation rates for all three programs had been levelling off, worked with CCO to develop an Integrated Cancer Screening (ICS) strategy to improve participation in screening for breast, cervical and colorectal cancers. The strategy included targets for gradually increasing participation rates from 2009/10 to 2013/14. For example, the breast cancer screening target increases from 66% in 2009/10 to 73% in 2013/14.

Participation target rates apply only to people deemed to be eligible for the screening. Eligibility criteria are based on such things as an age range or a person's other risk factors in developing a particular cancer, such as family history. At the time of our audit, the most recent CCO participation rate data available was for 2009/10, as shown in Figure 2.

Figure 1: Mortality Rates for Breast, Colorectal and Cervical Cancer in Ontario (per 100,000 Ontarians)

Source of data: Cancer Care Ontario



* Breast and cervical cancer mortality rates are per 100,000 women in Ontario.

a. Cervical cancer mortality rates for 2008 to 2012 are not available.

b. Breast and colorectal cancer mortality rates for 2009 to 2012 are estimated.

To promote public awareness of the cancer screening programs, the Ministry spent a total of $13 million from 2007/08 to 2011/12 for communication and promotion; CCO spent $5.9 million over the same period to promote the screening programs to various health-care providers and stakeholders.

The Ministry and CCO were jointly responsible for the promotion of the cancer screening programs. An overall framework was developed to ensure a consistent and focused message, with the Ministry leading public communications and CCO leading provider education. The Ministry and CCO worked together on certain specific initiatives.

Our specific observations with respect to participation in and access to each of the cancer screening programs are as follows.

Figure 2: Target and Actual Participation Rates in Cancer Screening Programs (%)

Source of data: Cancer Care Ontario

Cancer Screening Program	CCO Plan Target Participation Rates	ICS Target Participation Rate for 2009/10	Actual Participation Rate for 2009/10
Breast	70	66	66.8
Colorectal	40	32	27.4
Cervical	85	72	72.0

Breast Cancer Screening

The Ontario Breast Screening Program (OBSP) was implemented in 1990, and the eligible population was women aged 50 to 69 years (changed to 50 to 74 years in November 2011) with average risk of developing breast cancer. Average risk means there is no risk factor other than being a woman and being older.

In July 2011, Ontario became the only jurisdiction in Canada to integrate screening for women at high risk for breast cancer into an organized breast cancer screening program. The eligible population is women aged 30 to 69 who are at high risk of developing breast cancer. High-risk factors include having a specific genetic mutation, a family history that suggests hereditary breast cancer, a 25% or greater lifetime risk confirmed through genetic assessment, and having had radiation therapy to the chest before age 30 or more than eight years ago as treatment for another cancer or condition.

The average-risk program has tended to meet its participation targets, while the high-risk program was well below its target, although it should be acknowledged that the program is relatively new.

Breast cancer screenings and assessments are provided by more than 150 OBSP affiliate sites in hospitals and independent health facilities. About 523,000 women were screened through the OBSP in 2011/12. (Women can be screened outside of this program. In the 2010/11 fiscal year, the most recent year for which figures are available, about 112,800 women received mammogram services outside of the OBSP in independent health facilities.) About $78 million was allocated to OBSP for breast cancer screenings.

For women with average risk of breast cancer, guidelines recommend cancer screening with mammography every two years. For women at high risk, the guidelines recommend annual screening with magnetic resonance imaging (MRI) or ultrasound, as well as mammogram.

In 2009/10, the most recent year for which statistics are provided, the participation rate for the eligible population at average risk of breast cancer was 66.8%, which meets the Integrated Cancer Screening strategy target, but is short of the CCO's target of 70% in its Ontario Cancer Plans.

In 2011/12, the Ministry allocated about $11.6 million for screening of high-risk women. Of this, approximately $6.5 million was provided to CCO, including $4.7 million for an expected 20,000 screening exams and associated costs, and $1.8 million for genetic assessments.

To access genetic assessment services, a woman must be referred to the OBSP by her doctor. Women confirmed as being at high risk for breast cancer will be booked for both a breast MRI and mammography. A May 2011 announcement indicated that screening these women with annual breast MRI and mammography will detect approximately 17 cancers per year in every 1,000 women screened.

Program data for the first nine months of the program, from July 1, 2011, to March 31, 2012, showed that about 5,000 women aged 29 to 69 were referred to the OBSP high-risk program. Of this total, about 600 women were screened. This number is well below the 20,000 that the Ministry expected for the program. CCO stated that the low number could be because the program started in the summer, or because women first had to get a referral from their family doctor to the program and many of them then had to have a genetic assessment. Of the $4.7 million allocated for high-risk screenings and related services, CCO identified $3.3 million that needed to be returned to the Ministry after the end of the fiscal year. CCO told us it has lowered its projection for 2012/13 to 5,000 screens.

Wait Times for Breast Cancer Screening Services

Each OBSP affiliate site or regional office manages its own mammography screening bookings. The OBSP does not have a standard wait time for such services. At the three regional offices we visited, we found variations in the wait times ranging from just over two weeks to 10½ months. One reason that women in the program wait could be due to the high number of screenings and assessments done at these sites for women who are not eligible for the breast screening program. One site we visited did 20,500 mammograms in the 2010/11 fiscal year, of which only 9,400 were for those women defined as being eligible under the OBSP criteria. CCO has data on the provincial totals of non-OBSP screens conducted, but it did not collect such data on a site-by-site basis to help it assess the capacity of its more-than-150 breast cancer screening facilities.

In addition, data from 2008 (the most recent year for which data is available) shows that 56% of abnormalities identified in mammograms as requiring biopsy were followed up within seven weeks. This is below the national target established by the Public Health Agency of Canada of 90% within that time frame. CCO's comparison with other jurisdictions found that no other province had achieved this national target. Public Health Agency of Canada data from 2005/06 shows that only Nova Scotia did better than Ontario on this measure, with 58% of instances followed up on time, as compared to 57% in Ontario.

On our regional visits, we found there were wait times associated with various stages of the screening for those considered at high risk for breast cancer—up to six months at some sites. CCO conducted a survey at the end of 2011 of all genetic assessment clinics that determined eligibility for high-risk breast cancer screening. The survey found that wait times from when a woman received her referral to her first appointment averaged 84 days. Most clinics in the survey indicated that the waits were primarily a result of their not having enough staff to do the genetic assessments more quickly.

RECOMMENDATION 1

To improve breast cancer screening services to eligible participants, especially those considered to be at high risk of breast cancer, Cancer Care Ontario (CCO) should periodically evaluate the wait times at each of its screening facilities. As well, CCO should take measures to increase its capacity to expedite genetic assessments for women who have been referred to the high-risk program by their doctors.

CCO RESPONSE

CCO agrees that a reduction in wait times at all screening sites is important in order to improve breast cancer screening and assessment services. CCO will work with the regions to evaluate and improve wait times for screening and follow-up of abnormal screens.

CCO is conducting a one-year evaluation to identify areas where improvements can be made to the Ontario Breast Screening Program's new high-risk program. This is to be completed by March 2013. This evaluation will include wait times for MRIs and genetic assessments (i.e., counselling and testing) for women in the high-risk screening program. Based on the outcomes of the one-year evaluation, CCO will implement improvements to the program, with a special focus on reducing wait times for MRIs and breast assessments, where needed, beginning in 2013/14.

MINISTRY RESPONSE

The Ministry supports the evaluation of wait times for breast screening at each of its screening sites. The Ministry will work with CCO to evaluate and improve wait times for screening and follow-up of abnormal screens at all screening sites.

The Ministry has provided CCO with resources to conduct an evaluation of the Ontario Breast Screening Program to identify improvements, with a special focus on reducing wait times for MRIs and assessments as appropriate.

Colorectal Cancer Screening

In 2007, the Ministry committed $195 million for colorectal cancer screening over the five-year period from April 1, 2007, to March 31, 2012. CCO then launched the ColonCancerCheck program with total committed funding of $72 million for the same five-year period. The eligible population of the program was men and women aged 50 to 74.

The program chose the guaiac Fecal Occult Blood Test (FOBT) kit as the primary colorectal cancer screening tool for Ontarians considered to be at average risk. This would include those with no family history of colorectal cancer or symptoms. FOBT testing is recommended every two years.

When an FOBT is positive, the primary-care provider should refer the patient for a colonoscopy follow-up.

The program also includes people considered to be at increased risk—these are people with one or more immediate relatives who have, or have had, colorectal cancer—but the protocol is different. People at increased risk can bypass the FOBT and are fast-tracked to have a colonoscopy. If no cancer is detected during the colonoscopy, a person is encouraged to be tested again every five to 10 years.

In 2011/12, 63 hospitals signed agreements with CCO and received incentive funding of $4.6 million to participate in the ColonCancerCheck program. The hospitals performed a total of 14,300 colonoscopies in that year.

Participation in Colorectal Cancer Screening

ColonCancerCheck reports that the participation rate among the eligible population (men and women aged 50 to 74) in 2009/10 was 27.4%, short of the ICS target of 32% and CCO's Ontario Cancer Plan target of 40%. However, the program measured only the rate of participation in the FOBT. In our visits to regional offices, and to some hospitals in these regions, we were told that the low rates might be partly due to the fact that many doctors think the FOBT is not reliable enough as a screening tool, and they were instead referring many average-risk people directly for colonoscopy screening. Indeed, a Ministry-commissioned survey in 2010 found that 37% of physicians believed the FOBT was not reliable enough to be used as a population-based screening tool. Accordingly, there were likely many more average-risk people being screened than were participating in the FOBT. (CCO told us at the time of our audit that it was conducting a pilot project using another stool-based test kit, the Fecal Immunochemical Test, or FIT, which has a higher sensitivity than the approved FOBT kit being used to that point; the different kit may address physicians' concerns about using the FOBT to screen for colorectal cancer.)

As well, because the participation rate figure did not include the direct colonoscopy screening of people considered at increased risk for colorectal cancer, the overall participation in colorectal cancer screening in Ontario was understated.

In December 2011, a Joint Steering Committee of the Ministry and CCO approved a method of calculating the colorectal cancer screening rate that includes people screened with FOBT, flexible sigmoidoscopy or colonoscopy, and decided that this calculation would be reported in addition to the FOBT participation rate. However, this method of calculation will result in overstating the screening participation rate because it also includes all individuals receiving treatment for colorectal cancer or precancerous lesions, and such treatment is not considered to be screening.

Under this new calculation method, the colorectal testing rate was reported in 2012 as 53% for 2010. It included everyone who had completed an FOBT in the previous two years, or who had had a flexible sigmoidoscopy in the previous five years, or colonoscopy in the previous 10 years, from all sources, including private colonoscopy clinics. Thus, about half of the eligible population remained unscreened.

Colonoscopy Wait Times at Hospitals

When the colorectal cancer screening program commenced in 2007/08, 57 hospitals participated in the program. This increased to 74 in the 2008/09 fiscal year and then dropped to 64 in 2010/11 and 62 in 2011/12.

The Canadian Association of Gastroenterology set a goal of two months to complete a follow-up procedure for a positive FOBT, a benchmark adapted by CCO as eight weeks. For people with a family history of colorectal cancer, the benchmark for the time from referral to colonoscopy was set by the Association as six months, adapted by CCO as 26 weeks. The ColonCancerCheck program set a provincial target of 75% for the eight-week benchmark and a provincial target of 80% for the

26-week benchmark for those with a family history of colorectal cancer.

The Cancer System Quality Index (CSQI), recently published by the advisory group Cancer Quality Council of Ontario, reported that in 2011 73% of positive FOBT cases met the eight-week wait-time benchmark, an improvement over 60% in 2009. As stated in CCO reports, 80% of family history cases met the 26-week benchmark in 2010/11, an improvement over 71% in 2008/09. Our review of records at hospitals found that wait times exceeded the benchmarks of eight weeks for positive FOBT follow-up and 26 weeks for family history cases. Our review identified instances where individuals with positive FOBTs waited as long as 17 weeks for a follow-up colonoscopy and those with family history of colon cancer waited as long as 72 weeks for a colonoscopy.

While there was improvement in the two wait-time rates, almost 30% of participants did not receive a follow-up colonoscopy within eight weeks of a positive FOBT result and within 26 weeks of a referral for increased risk. Some people were screened at private clinics, but CCO did not have access to the referral dates to private clinics to assess the wait times of participants.

CCO attributed the shortfall in meeting its targets to a number of things, including physicians who did not follow up with participants, reluctance of some people to have a colonoscopy, and physicians who told patients with positive FOBT results to repeat the test when they should have been referred at that point for a colonoscopy.

RECOMMENDATION 2

To increase participation and improve its colon cancer screening efforts, Cancer Care Ontario should:

- examine and work to address the concerns doctors have with the effectiveness of the Fecal Occult Blood Test as a screening tool; and
- explore approaches for reducing the wait times for colonoscopy procedures, especially those for increased-risk patients.

CCO RESPONSE

CCO agrees with this recommendation and is working to increase participation and improve the colorectal cancer screening program. It will continue to educate primary-care providers about the highest-quality evidence supporting FOBT screening. In addition, it will continue to evaluate the feasibility of introducing other screening tests that have recently been shown by highest-quality evidence to reduce colorectal cancer mortality—namely, a more sensitive stool-based test (the Fecal Immunochemical Test, or FIT) and flexible sigmoidoscopy. Both methods are appropriate for average-risk screening and may be more acceptable to primary-care providers, including doctors.

CCO will continue to work with the regions to improve wait times for colonoscopy at sites that are not meeting wait-time targets, especially for increased-risk patients (those with a first-degree family history of colorectal cancer), through regular quarterly performance reviews and contract management.

MINISTRY RESPONSE

The Ministry has provided CCO with funding to conduct provider education and a pilot evaluation of newer Fecal Immunochemical Test technology for use in Ontario.

The Ministry has also provided CCO with funding to:

- expand colonoscopy capacity to reduce wait times for individuals who are at increased risk of colorectal cancer; and
- conduct a pilot to leverage non-hospital colonoscopy clinics to improve capacity for colonoscopy services, as part of the ColonCancerCheck program.

Cervical Cancer Screening

The cervical cancer screening program was launched on June 15, 2000. In 2010/11, the Ministry paid $54.8 million to doctors and labs for Pap tests. Screening is primarily performed with Pap tests done by physicians in their offices as part of routine checkups. When a low-grade abnormality shows up on a Pap test, the woman usually receives a repeat Pap test in six months. When a high-grade abnormality shows up on a Pap test, the woman is usually referred for a colposcopy—a visual examination of the cervix using an instrument called a colposcope. In some cases, tissue is removed in a biopsy, and a pathologist makes a diagnosis. Colposcopies are performed in hospital-based clinics or in private clinics.

CCO has recently issued updated guidelines that recommend the use of the Human Papillomavirus(HPV)-DNA test as a cervical cancer screening tool for women aged 30 years and older. The agency is working with the Ministry to explore how the test can be incorporated into the screening program.

Participation Rates of Women with Invasive Cervical Cancer

Cervical cancer is largely preventable with HPV immunization, regular screening and appropriate, timely follow-up of abnormal results. Cervical cancer mortality increases steeply from age 45. The most recent Ontario Cancer Registry data, from 2009 to 2011, shows that 83% of deaths from cervical cancer occurred in women over 45.

Our review showed that in spite of the fact that older women were at increased risk of dying from cervical cancer, they were not appropriately targeted for screening and were inadequately screened. For instance, between 2009 and 2011, older women were twice as likely not to have cervical cancer screening in the three years prior to being diagnosed with invasive cervical cancer than younger women. Specifically, two-thirds of women aged 45 to 74 years diagnosed with invasive cervical cancer did not have cervical cancer screening in the three years prior to being diagnosed, compared to only one-third of women aged 21 to 34 years that were not screened. In fact, half of women aged 55 to 74 years were not screened in the 10 years prior to being diagnosed with invasive cervical cancer.

Frequency of Cervical Cancer Screening

In general, CCO recommends cervical cancer screening every three years for all women aged 21 to 69 who are or have ever been sexually active. However, if a woman receives an abnormal test result, CCO recommends that she be tested annually until she has three successive normal results.

The overall provincial participation rate for cervical cancer screening in 2009/10 was 72%, which fell short of the Ontario Cancer Plan target of 85%, but met the Integrated Cancer Screening target. There was a significant difference in participation rates among age groups. CCO's program evaluation reported that the highest rates of screening participation were among women aged 20 to 29 years (74%), and the lowest rates were among women aged 60 to 69 years (66%.) Accordingly, younger women, who have a lower risk of cervical cancer, have the highest rates of annual Pap test screening. Our review showed that 16% of women aged 20 to 29 who had normal Pap test results in 2009 were screened again within 12 months. This only occurred in 7% of women aged 70 and older.

Discussions with CCO management indicated that younger women (20 to 34 years) are more frequently screened and rescreened because physicians often link Pap testing to annual health exams, contraception counselling and screening for sexually transmitted infections. The Ministry had identified this as an issue in 1996. Because older women often have fewer contraceptive and lifestyle reasons to see their doctor, they do not get tested often enough, if at all, even though they are at a greater risk of developing and dying from cervical cancer.

CCO officials said the issue of too much or too little screening can also be attributed to lack of an organized system for telling people when they are due to have the test. For the cervical cancer screening program to have an organized call and recall system, it must be allowed to collect health information about individuals without their consent. This requires being approved for Prescribed Registry status by the Ministry and the Information and Privacy Commissioner. CCO obtained Prescribed Registry status for the Ontario Cancer Screening Registry in May 2011. The Information and Privacy Commissioner approved CCO's information practices and procedures in respect of the Registry in October 2011. As a result, the program can now collect data to identify eligible women and send them directly all appropriate correspondence about test results and to invite or recall them for screening.

According to CCO, it would be a better practice to encourage doctors to view the Pap test as a separate service, and not tie it to appointments for contraception counselling, annual health exams and testing for sexually transmitted infections. CCO recommended that the Ministry, through its negotiations with the Ontario Medical Association, align its incentive payments for physicians with its updated cervical cancer screening guidelines, which were released to the public and health-care providers in May 2012. The current physician incentive bonus has been based on the percentage of the target population who received a Pap test in the 30 months prior to March 31 of the fiscal year for which the bonus is being claimed. This is a six-month shorter interval than the 36 months that the CCO recommends between Pap tests, and may encourage over-screening. In addition, there were no financial disincentives to screening women more frequently than at the recommended intervals.

Wait Times for Colposcopy Services

For screening to be effective, timely follow-up of abnormal Pap test results is critical. The 2012 Cancer System Quality Index noted that 17% of women aged 20 to 69 did not have a follow-up colposcopy within six months of a high-grade abnormal Pap test. The 2008 colposcopy guidelines specify that less severe cytological findings should be followed up with colposcopy within eight to 12 weeks, while more severe findings should be followed up within a shorter time. As a minimum standard, time from referral to colposcopy should not exceed six months.

During our audit, we found that CCO had not sent out any correspondence to the affected individuals, but CCO informed us that now that it has Prescribed Registry status, it planned, as of fall 2012, to send result letters to all women aged 21 to 69 years with abnormal or unsatisfactory Pap test results.

In February 2012, CCO did a preliminary review of colposcopy data for the years 2008 to 2010 to determine the median time for receiving a colposcopy. This preliminary review showed that the median wait time for high-grade abnormalities was generally about three months.

RECOMMENDATION 3

To improve the effectiveness of its cervical cancer screening services, Cancer Care Ontario should:

- target promotional and educational efforts to increase participation and rescreening rates among older women;
- educate the public and health-care providers on appropriate cervical cancer screening intervals; and
- monitor wait times for colposcopy procedures for timely follow-up of women with abnormal Pap test results.

CCO RESPONSE

CCO agrees with this recommendation and is actively working to strengthen the cervical cancer screening program. Providers who perform cervical screening are key to ensuring that screening and follow-up are done according to guidelines. In May 2012, CCO disseminated its new cervical cancer screening guidelines to providers across Ontario, along with information they can distribute to women.

In addition, efforts to increase awareness of cervical cancer screening guidelines among providers and women of all ages will continue through targeted media outreach and correspondence campaigns beginning in July 2012. This includes the development of awareness campaigns with regional partners to promote appropriate screening for under-/never-screened populations and older women.

CCO will work with hospitals and colposcopy clinics to monitor and improve colposcopy wait times, where needed, and will work with primary-care providers to improve follow-up rates for all women with abnormal Pap test results.

MINISTRY RESPONSE

The Ministry will continue to work with and fund CCO to identify effective strategies for delivery of promotion and education aimed at increasing knowledge and awareness among the public and health-care providers on appropriate cervical cancer screening and clinically recommended guidelines.

Cancer Screening for People with No Family Physicians

According to the Ministry, about 6% of the adult population does not have a family physician. Currently, when anyone without a primary-health-care provider participates in any of the three cancer screening programs, CCO is responsible for ensuring that abnormal test results are followed up. CCO then encourages these people to contact Health Care Connect to find a physician for ongoing primary care. However, this process does not actively seek out people who do not have family physicians and get them into screening programs.

CCO has recognized that people who never, or rarely, participate in screening programs often face challenges relating to low incomes, immigrant backgrounds, functional difficulties or sexual orientation. CCO indicated that "current research suggests that local, customized interventions best address the specific barriers to screening experienced by this group." As a result, CCO received a commitment from the Ministry of $4.5 million for 2010/11 to 2012/13 to develop initiatives directed to the under- or never-screened population.

In 2010/11, CCO selected five of its 13 regions for projects for under- and never-screened people, and it is providing funding to these five regions for two years, after which time it will evaluate the initiatives to see if they should be expanded. CCO informed us that there are plans to perform more detailed analysis on a LHIN level to expand on the current regional projects in the 2013/14 fiscal year.

In addition, under the Integrated Cancer Screening strategy, CCO has various proposals or pilot projects to help improve participation in screening programs among people who do not have family physicians. Such initiatives include sending colorectal cancer screening kits directly to a sample of eligible people, providing screening invitations and reminders to eligible people, and developing community-based education/recruitment to engage under-screened populations.

RECOMMENDATION 4

The Ministry of Health and Long-Term Care should monitor and assess current Cancer Care Ontario initiatives designed to improve participation in screening programs among people who do not have family physicians to gauge their effectiveness.

MINISTRY RESPONSE

Improving participation in screening programs is a key objective of the Integrated Cancer Screening program. The Ministry provides CCO with the appropriate resources, mandate and public support to carry out its initiatives and activities.

The Ministry and CCO are finalizing the current Transfer Payment Accountability Agreement, which includes appropriate mechanisms for monitoring, oversight and reporting of CCO's activities against clearly defined objectives and targets.

In addition, the Ministry's Health Care Connect program continues to connect unattached people with primary-care providers. Since its inception, Health Care Connect has matched and referred more than 100,000 people.

CCO RESPONSE

CCO agrees with this recommendation and will work with the Ministry to ensure appropriate monitoring of CCO's activities to improve participation among people who do not have primary-care providers. CCO and the Ministry are working to determine how to increase screening access for all eligible people, including those without providers, such as by allowing self-referral for screening, having other health-care professionals provide screening tests, mailing FOBT kits directly, and providing screening in mobile settings. CCO and the Ministry are collaborating to make necessary regulatory changes to expand access to screening through these channels, such as by permitting laboratories to process screening tests dispensed by non-physicians.

Increasing screening participation for people without primary-care providers must be coupled with ensuring timely follow-up for those who have abnormal test results. CCO is working with the Ministry to implement an organized follow-up model for all those who have been screened, particularly people without primary-care providers.

MONITORING FOR QUALITY OF SERVICES

Monitoring the quality of cancer screening programs is important to help ensure that the programs live up to established minimum standards and that a process is in place to assess their reliability on an ongoing basis. Patients and their doctors need to be able to trust the results. Our review of the quality assurance programs in place for each of the screening programs found significant variations. CCO had developed a comprehensive quality assurance program for monitoring the breast cancer screening program, but it had established only limited monitoring for the colorectal cancer screening program, and none for the cervical cancer screening program. As well, our research indicated that other jurisdictions, such as the United Kingdom, have well-defined quality assurance processes that may warrant consideration here in Ontario.

Breast Cancer Screening

CCO had developed a comprehensive quality assurance program for monitoring the Ontario Breast Screening Program (OBSP).

Sites must meet specific minimum requirements before they can participate in the OBSP. Among other things, they must receive and maintain accreditation from the Canadian Association of Radiologists Mammography Accreditation Program (CAR-MAP). The accreditation covers radiologist and medical radiation technologist qualifications, equipment, quality control, quality assurance, image quality and radiation dose.

However, in 2009/10, 20% of breast cancer screenings were done outside of the OBSP and were performed at non-OBSP sites that were not subject to the monitoring requirements. In discussions at regional offices we visited, we were told that the use of non-OBSP sites could be because doctors were referring women to sites that were close by or even in the same building as the doctor's office, or because doctors and patients are not necessarily aware that there is a difference between OBSP and non-OBSP services. As a consequence, these women did not have access to CCO's follow-up of abnormal test results, reminders or recalls for the next appointment, or to the CCO's quality assurance processes as did women screened at OBSP sites, although their results were still read by a radiologist and sent to their doctor for follow-up.

We were informed by CCO during the audit that the College of Physicians and Surgeons of Ontario (College) would be requiring CAR-MAP accreditation for non-OBSP independent health facilities by early 2013. The College has since included a requirement for CAR-MAP accreditation by 2014 in the updated Clinical Practice Parameters and Facility Standards for all independent health facilities. Hospitals that provide mammography services are not required to have CAR-MAP accreditation, but CCO has recommended that the Ministry require it. The Ministry has agreed that CCO should strike an expert panel and work with CAR-MAP and the College to further develop this recommendation. Subsequent to our audit, we were informed that the Ministry was reviewing options to ensure that all sites providing mammography services are CAR-MAP–accredited by 2014.

In addition to requiring accreditation, the OBSP has established several quality assurance processes. These include regular reviews of the work of the radiologists who assess the screens, inspections of mammography machines every six months, reviews of the work of medical radiation technologists, and chart audits to ensure information on participants is complete and up to date.

For quality assurance purposes, the OBSP also conducts what are called "interval cancer reviews" of cases in which a woman has been diagnosed with cancer after having had a previous screening test that reported normal results. This is to determine if the cancer was missed at the previous screening or whether the cancer developed subsequent to the screening, which provides feedback to OBSP radiologists.

In 2009, 225 such cases had been reviewed and 81 were further investigated. Of these 81 cases, 42 were subsequently classified as missed-at-screening. No interval cancer reviews were done from the end of 2009 to July 2011, because CCO's OBSP radiologist-in-chief had retired and a new radiologist-in-chief was not hired until July 2011. At the time of our audit, a backlog of almost 900 interval cancer cases needed to be reviewed. CCO informed us that it expected to complete its follow-up review of these cases by December 2012.

CCO arranges for independent inspection of mammography machines every six months to make sure their radiation levels are within the acceptable range. We reviewed a sample of inspection reports at three regions we visited. One region had not received all the reports from its sites on how they followed up on any issues that arose in the inspections. Some of these reports were due in August, September or October of 2011. At another region, all issues that were reported had been addressed, and at the third, no significant issues were identified.

Regional offices are required to conduct audits of patient records (chart audits) to ensure that data entered in the screening system is accurate, in accordance with OBSP standards and policies, and consistent with data entered in the provincial information system. We found that the chart audit policy did not specify the sample sizes to be reviewed, the frequency of the reviews, and, when concerns are identified, what the subsequent review frequency must be. At the regions we visited, we found significant variations:

- Only three of the four regions we visited conducted chart audits. The region that did not perform chart audits chose to conduct sample reviews for only cases with abnormal screen results.
- For the three regions that conducted chart audits, the frequency and types of reviews varied. One region conducted chart audits every three years with less extensive chart reviews between the audit years. The other two regions conducted annual chart audits.
- The three regions each reviewed a sample of 20 files for each site they audited, regardless of the number of yearly screens performed at the site. Therefore, a site that performed 10,000 screens annually had the same sample size as a site that performed 500 screens annually.

Colorectal Cancer Screening

CCO and the Ministry maintain some monitoring mechanisms for colon cancer screening. We noted the following observations.

Quality of Laboratory Services

In the ColonCancerCheck program, the completed FOBT kits are analyzed at participating community laboratories for the presence of blood in the samples. Test results are then sent to the participant's physician as well as to CCO. The physician informs the participant of his or her screening result. CCO also notifies the participant of his or her result. If a test result is positive, a colonoscopy is usually recommended as a follow-up test.

Labs that want to participate in ColonCancerCheck must sign an agreement with the Ministry that outlines specific requirements, such as that the lab must be accredited by the Quality Management Program Laboratory Services of the Ontario Medical Association, and that it must conform to the Canadian External Quality Assurance Program established by the Ontario Association of Medical Laboratories (Association). Under an agreement between the Association and the Ministry, total Ministry-approved funding is up to $45 million over five years. A committee of the Association, comprising members from all labs that are participating in ColonCancerCheck, monitors the quality of laboratory performance through monthly proficiency testing.

Not only are there no Ministry or CCO representatives on this quality committee, but neither the Ministry nor CCO received reports on the quality assurance process and related results. The agreement between the Ministry and the Association states that the Ministry will only be informed of concerns that are not satisfactorily resolved by the appropriate laboratory, and must then be referred to the Ministry for action. The Association told us that there have been no incidents that needed to be referred to the Ministry since the quality assurance program began in 2008.

Quality of Hospital Services

CCO uses colonoscopy as a primary screening tool for people considered at increased risk of colon cancer, and as a follow-up test to positive FOBTs. Only colonoscopies performed at participating hospitals are eligible for incentive funding from the colorectal cancer screening program. In 2011/12, these hospitals performed about 14,300 colonoscopies and received incentive funding of $4.6 million. Participating hospitals must meet specific quality standards outlined by CCO, including the following:

- endoscopists must perform at least 200 colonoscopies annually to achieve or maintain competency;
- the hospital's rate of bowel perforation must be no higher than one in 2,000 for screening procedures and one in 1,000 for all procedures; and
- the examination of the bowel must meet a particular standard so that the thoroughness of the procedure can be assessed.

We found that CCO collected the necessary data, but it did not analyze and monitor the data with respect to whether individual endoscopists complied with the requirements. Specifically, we found the following:

- From colonoscopy data from 2008/09 to 2010/11, we asked CCO to identify the percentage of endoscopists in the colorectal cancer screening program who did not do the minimum 200 colonoscopies annually. The review showed that more than 20% of endoscopists did not meet the requirement.
- Our review of perforation data from 2009/10 to the third quarter of 2011/12 for three regions we visited showed that the participating hospitals generally met the perforation rate standards. However, the rates were determined based only on perforations that occurred on the procedure date. Our discussion with an expert in the field, as well as a review of research articles, indicated that complications may arise up to 14 days after the procedure. CCO said it did not track

this information beyond the procedure date because it was very challenging to do so.

Other than the professional requirements of the specialists who conduct colonoscopy procedures, as well as the hospitals' requirements, there is no comprehensive quality assurance process. CCO told us that it is considering developing a quality assurance process that is similar to that of the breast cancer screening program.

Quality of Services at Private Clinics

There are approximately 50 private clinics in Ontario that offer colonoscopy services but are not eligible to receive incentive funding for colonoscopies. Until 2010/11, these private clinics were not subject to any specific program quality standards and data collection requirements, as hospitals are under the colon cancer screening program. In 2010/11, however, the College of Physicians and Surgeons of Ontario began monitoring and inspecting these clinics. CCO is conducting a pilot project to explore how to incorporate these clinics into the screening program.

Cervical Cancer Screening

As mentioned earlier, CCO received Prescribed Registry status for the Ontario Cancer Screening Registry in May 2011. The Information and Privacy Commissioner approved CCO's information practices and procedures in respect of the Registry in October 2011. Receipt of Prescribed Registry status enables the establishment of a comprehensive quality assurance program. Prior to receiving this Prescribed Registry status, CCO was not able to obtain enough data to establish such a program. We made the following observations.

Quality of Laboratory Services

Cytology samples are generally obtained through Pap tests done in doctors' offices and are then analyzed by laboratories. CCO relies on the quality assurance processes that govern the accreditation and proficiency testing of labs by the Quality Management Program—Laboratory Services (QMP-LS), operated by the Ontario Medical Association. In addition, the Ministry licenses laboratories to perform a defined set of tests.

CCO is responsible for quality assurance for the cervical cancer screening program. A quality assurance program would include test quality standards; the collection of data and monitoring of compliance to those standards; performance indicators; and the development of laboratory-related targets. However, CCO had not yet developed a quality assurance program for cervical cancer screening. CCO indicated that it did not have the authority to collect all of the data required for performance management and reporting by providers until it received Prescribed Registry status in October 2011.

We also reviewed how quickly cytology testing should be completed. From 2007 to 2010, the provincial median turn-around time decreased to 15 days from 21. However, turn-around time varied widely among laboratories. For instance, in the 2010 fiscal year, the median turn-around time at individual labs ranged from seven to 33 days.

Quality of Colposcopy Services

Colposcopy is performed to investigate cervical abnormalities, such as pre-cancerous lesions. In 2010/11, the Ministry reported that 125,400 colposcopy procedures were performed, a 28% increase from the 98,000 completed in 2004/05. Colposcopies are done in hospital-based clinics or in physicians' offices.

In 2008, CCO established colposcopy guidelines, including guidelines on qualifications and training for those who perform the procedure, and on quality assurance measures. However, CCO has not assessed and monitored the quality of colposcopy services to make sure they are provided in accordance with these guidelines. For instance, we found the following:

- According to the guidelines, those performing colposcopy should complete approximately

100 colposcopies per year to maintain their competency level, with at least 25% of cases being new patients. As discussed earlier, CCO did not have the authority to collect all of the data required for performance management and reporting by providers until it received Prescribed Registry status in October 2011.

- The guidelines call for colposcopy clinics to undergo annual reviews for quality assurance, and for clinical audits to be done at regional and provincial levels to ensure consistent results and provide appropriate feedback to clinicians. CCO has not implemented a quality assurance program or conducted clinical audits since the program began in 2000.

After CCO was granted authority to collect and review the data to assess quality of services in October 2011, it also signed a data-sharing agreement with the Ministry in January 2012 to access the necessary health information. With access to the Ministry's claims payment data, CCO will now be able to gather information on the number of colposcopies performed, whether a biopsy was done, the number of physicians performing colposcopies and the physicians' specialties. However, CCO still will not have data on the results of colposcopies and biopsies from all sources, including hospitals, clinics and other facilities.

RECOMMENDATION 5

To ensure that Ontarians are receiving quality cancer screening services, Cancer Care Ontario should work with the Ministry to:

- establish monitoring procedures to ensure that quality assurance requirements are met for screening of breast, colorectal and cervical cancers, regardless of whether they are provided under programs established by Cancer Care Ontario or other service providers; and
- obtain screening data so it can review and assess the work performed by all service providers and measure the results against appropriate quality assurance standards.

CCO RESPONSE

CCO strongly agrees that screening is most effective when offered through an organized program that incorporates all service providers and uses robust quality assurance mechanisms to maximize the benefits of screening and minimize the harms. CCO also agrees that other jurisdictions, particularly the United Kingdom, offer excellent models for quality assurance programs. Building on models such as these, CCO will establish regular monitoring procedures to assess performance against quality assurance requirements, such as by tracking screening frequency, cancer detection rates and competency of providers. CCO will work with the Ministry to obtain the data and the mandate required to ensure that quality assurance requirements for screening programs are met by all service providers, regardless of whether screening services are provided under programs established by CCO. This will include primary-care providers, radiologists, colonoscopists, colposcopists, colonoscopy sites, mammography sites and laboratories.

MINISTRY RESPONSE

The Ministry will continue to work with and provide CCO with the appropriate resources, mandate and support to carry out effective quality assurance and monitoring of service providers.

Under the *Laboratory and Specimen Collection Centre Licensing Act*, all medical laboratories must, as a condition of licensing, meet the requirements of the quality management program carried out by the Ontario Medical Association (Quality Management Program—Laboratory Services, or QMP-LS). The quality management program carried out by the QMP-LS is for all laboratory testing and includes colorectal and cervical cancer screening tests.

PERFORMANCE MEASURES AND REPORTING

Public Reporting of Performance Indicators

CCO publishes annually its program indicators for its three screening programs through the Cancer Quality Council of Ontario's Cancer System Quality Index, a web-based public reporting tool that tracks the quality and consistency of all key cancer services in the province, from prevention and screening through to end-of-life care. The Council makes recommendations for improvements to cancer services to the Ministry, via CCO's board of directors. In May 2012, the Council said CCO needed to continue its efforts to improve the participation in its screening programs. For instance, for 2008 to 2010, only 27% of eligible women completed all the cancer screening tests recommended for their age.

CCO has also conducted formal evaluations of the three cancer screening programs and issued public reports on its assessments. The *Ontario Cervical Screening Program Report*, issued in 2011, covered 2003 to 2008; *Ontario Breast Screening Program, 20th Anniversary Report,* issued in 2010, covered 1990 to 2010; and *ColonCancerCheck 2008 Program Report* was issued in 2010.

The three cancer screening programs adopted some of the performance indicators that were developed by a national body, either the Public Health Agency of Canada or Canadian Partnership Against Cancer. The indicators used for the breast cancer screening program were in line with these key national indicators. However, both the colorectal and cervical cancer screening programs lacked indicators to assess the programs' follow-up and detection activities and outcomes. Under the Integrated Cancer Screening strategy, CCO is working with the Ministry to set up and report on 13 key performance measures for all three cancer screening programs.

Chapter 3

Section

3.02

Ministry of the Attorney General

Criminal Prosecutions

Background

The Criminal Law Division (Division) of the Ministry of the Attorney General (Ministry) prosecutes criminal charges on behalf of the Crown before provincial courts in Ontario. It consists of Crown Attorneys, Deputy Crown Attorneys and Assistant Crown Attorneys, who are appointed under the *Crown Attorneys Act* (Act) and Crown Counsel, who are appointed under the *Ministry of the Attorney General Act* (collectively referred to as Crown attorneys or prosecutors). The Act outlines the duties of Crown attorneys in prosecuting charges laid by police forces, such as summoning witnesses to attend court, providing disclosure to defence attorneys, presenting evidence in court and dealing with bail applications of accused offenders.

It is the role of the Ontario Provincial Police and municipal police forces to lay criminal charges, under the federal *Criminal Code of Canada* and the *Youth Criminal Justice Act* and other provincial statutes, for such crimes as assault, uttering threats, impaired driving, robbery and homicide. Certain charges fall under the jurisdiction of federal prosecutors, and Ontario Crown attorneys generally do not deal with crimes involving drugs, terrorism, tax law and money laundering.

The Division's Crown attorneys also represent the Crown in criminal appeals; provide legal advice to the police, the Attorney General and other law enforcement officials; provide special services such as applications to a court for electronic-surveillance authorizations, extraditions and search warrants; and develop criminal law policy recommendations for both provincial and federal applications. In addition, the Division participates with other stakeholders in major initiatives targeting criminal activity related to guns and gangs, as well as the Ministry's Justice on Target initiative to reduce the average number of court appearances and days needed to dispose of a criminal charge.

The Division receives about 600,000 new criminal charges each year from more than 60 police forces in Ontario. A Crown attorney is to prosecute a criminal charge only if there is a reasonable prospect of conviction and if it is in the public interest to prosecute. If at any stage of the case changed circumstances make the prospect of conviction no longer reasonable, the Crown attorney is duty bound to discontinue the prosecution.

Criminal charges are prosecuted in either the Ontario Court of Justice or the Superior Court of Justice. The vast majority of charges are dealt with by the Ontario Court of Justice, which typically tries less serious offences presided over by a judge alone; trials for more serious *Criminal Code* offences take place in the Superior Court of Justice and are heard either by a judge alone or by a judge and jury.

The Division operates from its head office in Toronto, six regional offices and 54 Crown attorney offices across the province. Operating expenses totalled $256 million in the 2011/2012 fiscal year, 84% of which was spent on staffing. The Division employs approximately 1,500 staff, including about 950 Crown attorneys and 550 support and administrative staff. In addition, the Division spends approximately $3.2 million annually on contract lawyers who work on a part-time per diem basis.

Audit Objective and Scope

Our audit objective was to assess whether the Division had established adequate policies, systems and procedures for the timely and efficient prosecution of criminal matters on behalf of the Crown, and for measuring and reporting on program effectiveness.

Senior management reviewed and agreed to our audit objective and associated audit criteria.

We conducted our fieldwork at the Division's head office in Toronto and visited five of the six regional offices and 11 of the 54 Crown attorney offices. Our work included interviewing staff, including prosecutors assigned to the Guns and Gangs initiative; reviewing recent reports and studies; and examining policies, records, case files and systems. We also met with staff from the Ministry's Justice on Target initiative.

We also held interviews with representatives of five police forces in the province, Legal Aid Ontario, the Criminal Lawyers' Association, and the Ontario Victim Services Secretariat to discuss their perspectives on prosecutions and the criminal justice system in Ontario.

We researched criminal prosecution programs in other Canadian and foreign jurisdictions and met with senior management of the federal and three other provinces' prosecutorial services. We also engaged an independent expert who has senior management experience in delivering criminal prosecution programs.

We considered recommendations we made in our previous audits of the Ministry, including Legal Aid Ontario (2011), the Court Services Division (2008), and our last audit of the Division (1993). We also considered several major public reviews of the criminal justice system over the last decade.

The Division's internal auditor conducted several reviews that were helpful in our audit, including those about travel card use and employee expenses; controls over the administration of proceeds of crime; and the Division's project to implement a new electronic Crown Management Information System (CMIS).

Summary

The number of Crown attorneys and the overall staffing costs for the Criminal Law Division (Division) have more than doubled since our last audit in 1993. Yet the number of criminal charges that Crown attorneys dispose of per year has not substantially changed—572,000 in 1992, compared to 576,000 in 2011. Partly as a result of the Charter of Rights and Freedoms, many cases are more complex than they used to be, so that more time and more court appearances are needed to prosecute them. Also, additional Crown attorneys have been assigned to deal with certain crimes, such as those involving gangs and other dangerous and high-risk offenders.

However, it is difficult to gauge the actual impact of this on prosecutor workload, especially because the Division makes little use of numerical and statistical information to analyze the relative workload, efficiency and effectiveness of its Crown attorneys, and relies more on informal oversight by senior staff at each of the 54 Crown attorney offices. When we last audited the Division in 1993, we noted "a systemic emphasis on prosecutorial discretion," and that monitoring was done by "more subjective means, such as informal feedback and personal knowledge about the individuals involved." This observation remains valid today.

We continue to believe the Division would benefit from having information systems that would provide it with reliable summary data on prosecutor workloads, the outcome of prosecutions, the average time taken to resolve charges and other key performance indicators, both at a local office and an individual Crown attorney level. The Division can also make better use of the information on court activities currently available from within the Ministry until it completes the development of its own information systems.

Our other major observations were as follows:

- The Division does not formally assess its prosecutorial performance—for example, it does not gather information on how efficiently charges are screened; how long it takes to prepare cases; whether court diversion programs for resolving minor criminal charges are used appropriately; the number of bail release applications, and what their conditions and results are; and what the outcomes of cases are. Furthermore, the rates at which certain Crown attorney offices went to trial were up to 20 times higher than the rates of other offices, significantly increasing justice system costs. We noted that Statistics Canada reported that Ontario had Canada's highest rate of adult criminal charges withdrawn or stayed (suspended by a court) in 2010/11 (43% for Ontario versus 26% for the rest of Canada) and the lowest rate of guilty verdicts (56% for Ontario versus 69% for the rest of Canada)—but the Division does not have the information needed to determine the reasons for this or whether this relates more to certain regions or Crown attorney offices.
- No staffing model has been established to determine how many Crown attorneys should be at each local office, and there is no benchmark for what a reasonable workload for each Crown attorney should be. Workloads per Crown attorney varied significantly among local offices and between regions. For example, at two similarly sized Crown attorney offices, the average workload during the 12-month period ending March 31, 2012, was 572 charges per attorney at one and 1,726 charges per attorney at the other. The Division does no periodic analysis to assess:
  - the reasons for the significant decrease over the last two decades in the average number of charges a Crown attorney disposes of per year; or
  - whether Crown attorneys need to be reassigned among Crown attorney offices to balance workloads and ensure similar charges can be handled consistently regardless of where in Ontario they are laid.
- Of the Division's six regions, the Toronto Region disposed of the most charges in total, but it did so at the highest cost per charge—$437, compared to the average of the other regions of $268. The Toronto Region also disposed of an average of about 40% fewer charges per Crown attorney than the average of other regions. We also noted that the use of court diversion programs for persons accused of minor criminal charges varied widely between Crown attorney offices—for example, one office reported that it resolved 11% of its eligible charges using diversion programs while a similarly sized office resolved 75%. Reasons for these significant differences had not been analyzed.
- The Division does not have a systematic process in place to ensure that services at its 54 Crown attorney offices are consistently meeting minimum professional and Division standards. In our review of case files at 11 Crown attorney offices we noted no standards for recording decisions and events, forms were either missing or not used, and case files were missing.

- A much-needed electronic case management system originally projected to cost $7.9 million and to be completed by March 2010 has been significantly delayed because of weak management, oversight and financial reporting, and insufficient resources being dedicated to the project. Other provinces, such as Manitoba, already have such systems in place and we noted that, rather than develop a new system, Alberta recently paid $1 for the rights to use and further develop Manitoba's system.
- Because the Division does not measure its performance, the Ministry makes no mention of the Division in its annual reporting. In this respect, the Ministry differs from some other jurisdictions, which do measure and report on their criminal prosecution operations.

We did note that the Division has contributed to some recent progress in improving court efficiency, as reported by the Justice on Target initiative, including the reversal of a decades-long trend of an increasing number of appearances and days needed to complete a criminal case in court.

OVERALL MINISTRY RESPONSE

The Criminal Law Division is committed to continuing to provide the citizens of Ontario with the highest-quality, efficient and effective prosecution services in support of public safety. The Division finds great value in and is actively incorporating the observations and recommendations of the Auditor General's review as it continues to improve how it delivers prosecution services in these changing times.

The audit correctly reports that cases are more complex than 20 years ago. In addition to the Charter of Rights and Freedoms, other factors add to the complexity of cases, resulting in an increased demand on Crown attorneys' time and hence an increase in the number of Crown attorneys. For instance, the introduction of mandatory minimum sentences has resulted in significant reductions in guilty pleas and significant changes in their timing, which translate to more time being spent on a file. A typical impaired-driving case illustrates the point. Today one case takes two days in court, whereas in 1992, two to four cases were prosecuted in one day. In part because penalties have increased, such charges are vigorously defended and defence applications to exclude key evidence that the defence alleges the police obtained in violation of the accused's rights under the Canadian Charter of Rights and Freedoms are common. Nevertheless, the Division agrees with the Auditor General that it needs to find a way of measuring the impact that increased complexity has on workload.

We agree that information collection and analysis are essential decision-making tools. We recognize that a multi-faceted electronic case management system is key, not only to information collection and analysis, but also to moving some of the paper-based manual processes into an electronic approach. We are disappointed with the progress made to date on our project to implement such a system. Nevertheless, our commitment to implement such a system, or group of systems, remains steadfast, and we are taking steps to get back on track.

In the meantime, the Division is taking action to ensure the appropriate and necessary measurement of our workforce and workload through information already available to us. The Division will identify the gaps in meaningful data collection and will research similar metrics and systems that are being used to measure resourcing in the other jurisdictions referred to in the report.

Through the actions that we are taking to increase our effectiveness and to continuously improve, we will deliver on the commitment to public safety for the people of Ontario.

Detailed Audit Observations

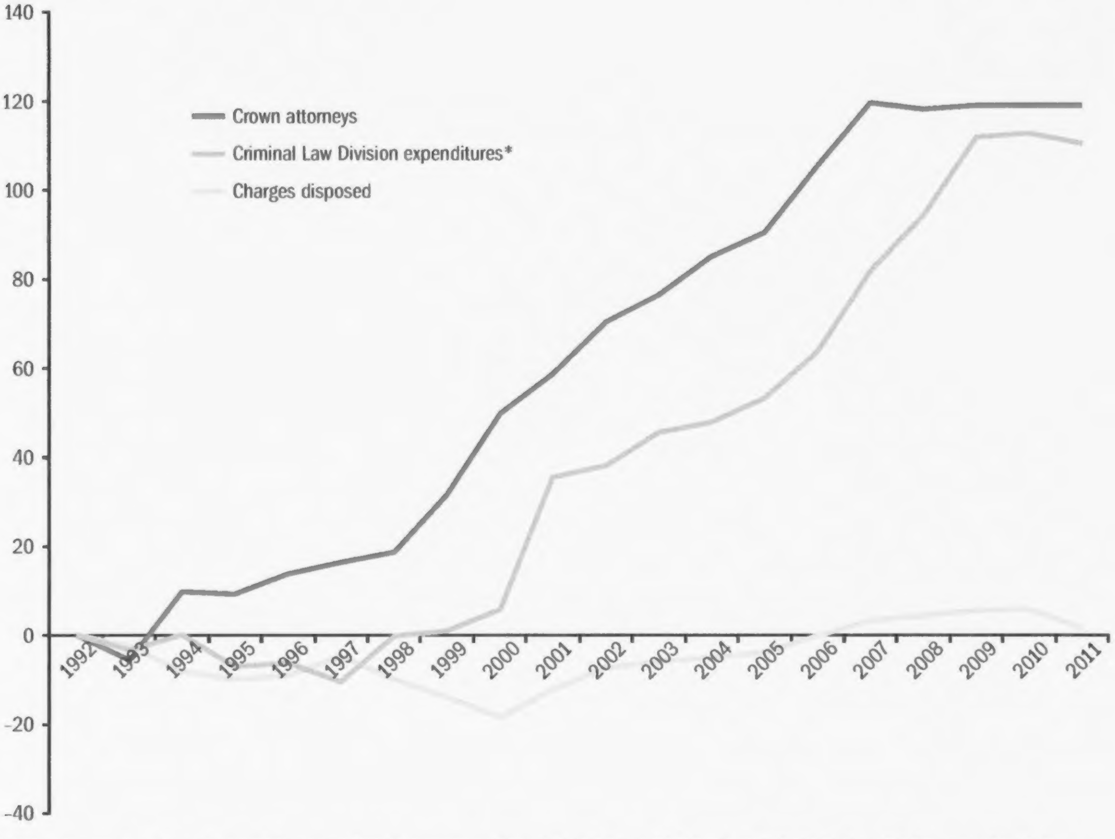
MANAGING OPERATIONS

Since our last audit in 1993, the number of criminal charges disposed of is virtually unchanged—572,000 in 1992 compared to 576,000 in 2011. Yet the number of Crown attorneys and support staff, as well as staffing costs—even after taking inflation into account—have doubled over the same period, as shown in Figure 1. In contrast to some other provinces we visited, management oversight tends to be more informal in nature, so as not to be perceived to affect the independence of each Crown attorney. As well, less use is made of information as a means to gauge the relative workload and effectiveness of the Division's Crown attorneys. Specifically, the Division lacks information systems at many levels to provide information to allow it to assess workloads and effectiveness.

We understand that there are reasons why disposing of criminal charges consumes more resources now than it did in the past. For example, additional Crown attorneys have been assigned to focus on domestic and sexual violence, guns and gangs, dangerous and long-term offenders, and Internet child exploitation. Changes in legislation and case law that have occurred since 1982 as a result of the Charter of Rights and Freedoms have increased the complexity of many cases. The average time and number of appearances required to dispose of

Figure 1: Annual Percentage Change in Number of Crown Attorneys, Charges Disposed and Criminal Law Division Expenditures, 1992–2011

Source of data: Ministry of the Attorney General, Public Accounts



* Annual percentage change for expenditures were based on amounts adjusted for inflation to 2011 levels using Statistics Canada's Consumer Price Index.

a criminal charge have both doubled since our last audit, and these increases have been steadily climbing over the last 20 years except for the most recent year. Mandatory minimum sentences, disclosure requirements, and more complex evidence, such as DNA evidence, cell phone activities and computer forensics, have also contributed to an increase in the demand on Crown attorneys' time.

Nevertheless, given a doubling of staff relative to essentially no caseload increase, it is all the more critical to objectively assess the efficiency and effectiveness of the Division's resource management. This requires timely, relevant and accurate information and analysis. Specifically, the Division needs information on how efficiently charges are screened; how long it takes to prepare cases; whether court diversion programs are used appropriately for minor charges; the number of bail release applications, and what their conditions and results are; and what the outcomes of cases are. This information can help management assign prosecutors to local Crown attorney offices to balance workloads across the province and monitor trends in charge resolution to identify situations that cause inefficiencies and delays. However, the Division has neither a manual nor a computerized system for collecting the needed information. It also has not established benchmarks against which it can assess aspects of its performance.

Information that is available to the Division has come primarily from outside sources, most notably the Ministry's Integrated Court Offences Network (ICON), which reports on charges processed by the Ontario Court of Justice for each courthouse. Most Crown attorney offices serve only one courthouse, making the ICON reports useful for assessing certain aspects of each office's performance. However, even though this information is distributed monthly to regional and local Crown attorney management, we found no indication that the Division routinely used the information to analyze the performance of its regional and Crown attorney offices and individual Crown attorneys. As well, the usefulness of this information to the Division is limited for the following reasons:

- ICON reports information on a criminal charge basis rather than by case or person. Since most cases involve multiple charges and not all the charges proceed, management has not been able to determine whether whole cases have been lost, or whether minor charges were simply withdrawn but the case proceeded on more serious charges.
- Although ICON reporting does separate the number of charges that are stayed by the court (proceedings against an accused are stopped before an acquittal or conviction) from the number of charges withdrawn by prosecutors, it does not identify the reasons for either occurrence; knowing this could help the Division reduce their frequency. Stays and withdrawals can occur for many reasons. For example, the accused may have been denied complete disclosure, a right to counsel or a timely trial; evidence may have been deemed inadmissible; and witnesses may have refused to testify. In some of these cases, preventing the stay and withdrawal is in the control of the prosecutor.

Each Crown attorney office's management responsibilities are assigned to a senior Crown attorney, who we noted also continues to carry his or her own caseload. Senior Crown attorneys told us that they rely extensively on feedback from prosecutorial staff about their own workloads. They also rely on anecdotal information, such as comments from the judiciary, defence attorneys and court staff, to make them aware of concerns with prosecutors' performance. The management framework tries to strike a balance between prosecutors having independence in the day-to-day decision-making on cases assigned to them and the need for Division management to hold prosecutors accountable for efficient and effective prosecutions that meet expectations and standards.

We noted that local Crown attorney offices have developed their own management and operational practices. In some cases, this is because local police forces or courts are administered slightly differently from one area to another or because the 54 local Crown attorney offices vary greatly in size—the smallest have only one or two Crown attorneys, while the downtown Toronto office has more than 125. In smaller Crown attorney offices, one person might handle all incoming cases from beginning to end, whereas in larger offices it is common for several prosecutors to work on a case at different stages and make court appearances. However, there is no overriding provincial management model, and head office had not done a formal analysis on the variation in practices among offices that could be used to identify best practices in the various Crown attorney offices where it might be beneficial to standardize practices to reduce costs. For example, we found no consistency in how case files were handled by Crown attorneys, including ownership and custody assigned to files between police forces and Crown attorney offices, standards for documentation on case files, and notation standards for key decisions, such as screening charges or bail and sentencing recommendations.

RECOMMENDATION 1

To ensure that decisions on the use of legal and support staff resources and results of prosecutions are supported by timely, relevant and accurate information, the Criminal Law Division of the Ministry of the Attorney General should identify what information is needed and develop systems as soon as possible to deliver this information to its regional and local Crown-attorney-office management. The Ministry should also use this information to hold the Division accountable for demonstrating the cost-effective use of its resources. Until such time as the Division can gather its own information on its activities, it should make better use of the available ministry information on courthouse activities to more effectively oversee operations and report on its use of resources.

MINISTRY RESPONSE

The Criminal Law Division recognizes the importance of having reliable management information system(s) to make informed decisions in support of the effective leadership of its operations.

The Division is reviewing existing systems and the information available within the Ministry that relates to its work with a view to identifying the gaps in current information analysis, reporting and report usage. The Division's longer-term objective is to ensure that future information systems accurately capture and support the analysis required to enable measurement of the cost-effectiveness and optimal use of its resources, including measurement and assessment of workload.

OVERSIGHT OF PROSECUTORS

Management of cases and their timely progression through the justice system has been a particularly crucial issue since October of 1990, when the Supreme Court of Canada released its ruling in the case of *R. v. Askov*. In general, at the time, the Askov ruling and related rulings established that the acceptable time to trial was generally eight to 10 months. As a result, thousands of backlogged charges across the country were dismissed on grounds of unreasonable delay in the prosecutions. Since then, there have been further court rulings that have narrowed the circumstances under which a judge can dismiss a charge on the basis of unreasonable delay caused by prosecutors. The Ministry has been examining its processes to resolve charges at the earliest opportunity to reduce both costs and the risk of delays. Its Justice on Target initiative is one of these strategies.

Justice on Target aimed to achieve, over a four-year period ending in June 2012, a 30% reduction in the number of court appearances and days to dispose of a charge. Justice on Target reported that

Chapter 3 • VFM Section 3.02

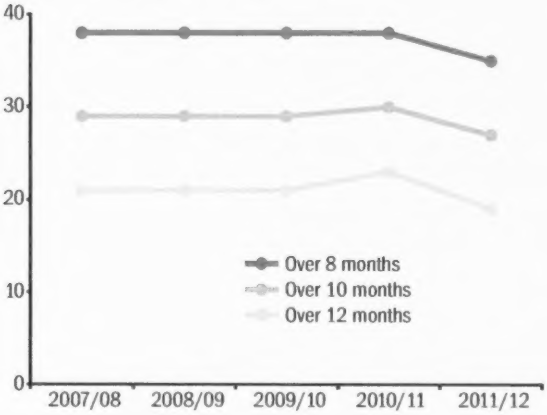
as of March 31, 2012, it had achieved success in reversing a decades-long trend of increases, but it was not close to meeting these reduction targets. Court appearances and the number of days to dispose of a charge had decreased by 7% and 2%, respectively. The Division is a key stakeholder in the initiative, contributing to the reductions achieved by helping to implement opportunities for charges to be resolved earlier.

The management staff at Crown attorney offices told us that they informally monitor charges that reach the eight-month, 10-month and 12-month marks out of concern that charges will be stayed due to the delay. As Figure 2 indicates, the backlog of charges in the courts taking longer than eight, 10 or 12 months still exists and has not changed significantly, although there has been some improvement in the most recent fiscal year.

The Division does not track whether specific actions taken by Crown attorneys have any effect on the progress of a case. For instance, Crown attorneys we interviewed told us that prosecutors initiate only a small percentage of court adjournments—one of the leading causes of delays—but there is little data to support this given that the Division does not track the delays caused by adjournments and the reasons for them. As well, information in ICON on the causes of adjournments was either incomplete or not used by the Division.

Figure 2: Ontario Court of Justice Percentage of Criminal Charges Pending, 2007/08–2011/12

Source of data: Ministry of the Attorney General



We were surprised that the Division does not formally track the number of motions made by defence attorneys to the court requesting that charges be stayed due to delay, or the reasons for the successful motions. Although the ICON system identifies pending charges and the extent of the delays, there is not enough data in ICON to analyze what types of charges make up the backlog and the reasons for the delays. As a result, it is up to the Division to gather information on the reasons for stays. Another example of an area where inconsistencies should be probed by the Division to understand and reduce delays is the setting of trial dates. While courts control the progression of cases, we noted at several Crown attorney offices we visited that some courts had rules for setting trial dates within, say, 90 days, while other courts had no such rules. Prosecutors also have a significant role to play in ensuring that cases progress through the court in a timely manner by bringing any unnecessary delays to the attention of the court for action. A senior Crown attorney also has the opportunity to bring up more systematic causes for delays at a particular courthouse at regular meetings that are held with the judiciary on the administration of the courthouse.

Statistics Canada reports that in 2010/11, Ontario had the lowest proportion of guilty verdicts in adult criminal cases among all Canadian jurisdictions, at 56%. The national figure, excluding Ontario, was 69%. The Division has not analyzed its prosecution results to determine why this might be the case.

The Division has said it is aiming to reduce the number of trials that collapse—usually through last-minute guilty pleas or the withdrawal of charges—on the day the trial is set to begin. Trials that collapse on the first scheduled court date incur costs that could have been avoided because they unnecessarily tie up courtrooms, court staff, the judiciary, witnesses and police, all arranged months in advance. Trial collapse rates vary widely among

Crown attorney offices, from 4% to 22%. The Division obtains trial collapse rates from ICON, but ICON does not provide enough detail to allow the causes of the collapses to be analyzed or compared. For instance, ICON captures only collapsed charges, not collapsed cases. Minor charges are regularly withdrawn at trial, particularly when multiple charges have been laid, so statistics on collapsed charges do not isolate the real problem, which is the collapse of entire cases.

In addition, the Division did not analyze why certain regions and Crown attorney offices had higher trial rates—local offices ranged from about 1% to 20% of total annual charges, and the region with the highest rate was Toronto. The cost implications of a Crown attorney office proceeding to trial at a rate of 20 times more than another office warrants more formal attention, particularly since the Toronto Region has the largest total caseload in the province.

Disclosure and Screening of Charges

After police lay charges, they provide a report on those charges to the Crown attorney's office in what is known as a Crown brief. Police forces want to move to an electronic disclosure system to improve efficiency, but the Division has been slow to implement its system for accepting Crown briefs electronically. At the time of our audit, only five of 54 Crown attorney offices were accepting electronic disclosure from police forces.

After receiving a Crown brief from police, Crown attorneys assess, or screen, the charge(s) to determine whether to prosecute—essentially, whether there is a reasonable prospect of conviction and, if so, whether the prosecution is in the public interest. During this screening, Crown attorneys can decide not to prosecute charges by withdrawing some or all of the charges or otherwise resolving charges without going to trial by recommending to the court the use of diversion programs or alternative sentencing options. Alternatively, additional charges could be laid by the police on recommendation of the Crown attorney.

A stay of proceedings occurs when charges are temporarily or permanently suspended by the court, such as when the rights of an accused person have been violated or the Crown attorney requests that the accused person participate in a diversion program; in contrast, withdrawn charges are initiated by the Crown attorney when there are no reasonable prospects of conviction or it is not in the public interest to prosecute. Statistics Canada, which receives data from the Ministry's Court Services Division, reports that 43% of adult criminal cases in Ontario in 2010/11 were resolved by staying or withdrawing charges laid, the highest proportion of such cases in Canada. The average of other provincial and territorial jurisdictions in Canada was 26%. There could be many reasons for withdrawing charges, including the quality of the Crown briefs that police send to Crown attorneys for charge screening, plea negotiations, witnesses not co-operating and the success of diversion programs. Such a significant difference could also indicate that Ontario as a whole or certain Crown attorney offices are incurring unnecessary costs because weaker charges are not being sufficiently screened out before court proceedings begin. However, the Division does not collect data so that charge withdrawal rates can be analyzed to determine if there are any systemic issues that warrant attention.

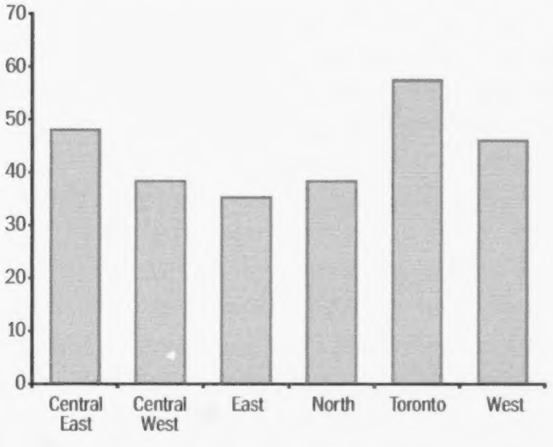
Diversion Programs

The Ministry's voluntary diversion program, called the Direct Accountability Program, is an alternative to formal prosecution for people who have been charged with minor criminal offences. The program benefits the accused, the courts and the community. The program involves accused people being held accountable through community-based sanctions such as restitution, community service work, charitable donations or participation in programming such as anger management or alcohol and drug awareness. The charge(s) against the accused can be withdrawn or stayed if the person successfully completes the sanctions imposed. Diversion strategies—used for charges that Crown attorneys deem eligible, such as theft-of-property offences—are less costly than formal court proceedings and they allow for quicker resolution of charges, which frees up court resources.

Diversion programs were in place in almost all Crown attorney offices. However, as Figure 3 illustrates, referral rates by Crown attorneys as reported by the Justice on Target initiative differed widely among the six regions. For example, the Toronto Region had a referral rate of 57% and the Eastern Region 35%. The referral rates varied even more significantly among Crown attorney offices. For example, in the 2011/12 fiscal year, two Crown attorney offices in the same region that are roughly the same size had referral rates of 11% versus 75%. The Division's process for tracking and analyzing its use of the programs and the results of the referrals did not sufficiently address the varying referral rates or improve their consistency. As a result, the Ministry cannot determine whether the diversion programs are being appropriately used to the extent possible. In fact, the varying use of diversion programs by Crown attorney offices and Crown attorneys may result in an inconsistent approach across the province for dealing with minor offences and the resulting criminal records of those who are not diverted.

Figure 3: Referral Rates to the Direct Accountability Program (Diversion) by Region, May 1, 2011–April 30, 2012 (%)

Source of data: Ministry of the Attorney General



RECOMMENDATION 2

In order for the Criminal Law Division to adequately oversee its prosecutions, monitor its costs and assess its performance, it should regularly analyze the trends, rates and reasons for stays and withdrawals, adjournments, trial rates, bail release violations, guilty pleas and guilty verdicts, and use of diversion programs. In addition, the Division should compare its performance to other provinces and, where Ontario's overall trends differ from those of other large provinces, determine the reasons for such differences.

MINISTRY RESPONSE

The Criminal Law Division recognizes the importance of using information to evaluate the quality and results of its prosecution service.

Analyzing and seeking to understand the trends, rates and reasons for outcomes in criminal proceedings will be helpful in overseeing our prosecutions. Further analysis and research into how this will assist with the monitoring of costs and performance of the Crown in conducting prosecutions is required. The Division recognizes the need for consistent practices and approaches within its regions and local offices, taking into consideration the variables that exist, such as size of office, geographical/demographic information, size of police force and charge volume. There are lessons to be learned from each office, with perhaps the most valuable coming from the comparison of like offices.

The Division will also benefit from the experience of other large prosecution services across Canada and will seek opportunities to make meaningful multi-jurisdictional comparisons.

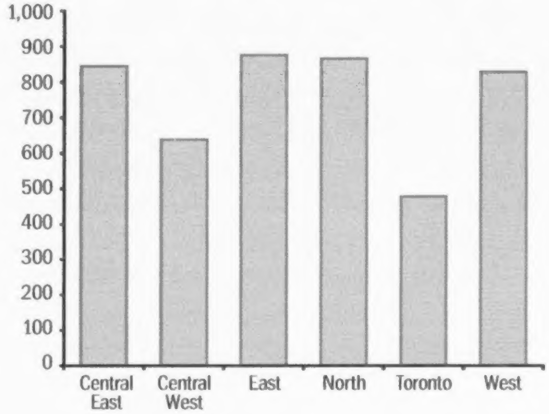
MANAGING WORKLOADS

As we noted earlier, the number of Crown attorneys has doubled since 1992 despite the fact that the number of criminal charges has remained essentially constant. The Division is unable to assess whether the increases in the number of Crown attorneys is reasonable because it does not gather the necessary information to analyze whether the complexity of the cases or the time needed to dispose of the charges has increased to such an extent as to require twice as many staff. The Division does not use a staffing model to determine the appropriate number of Crown attorneys, and there is no benchmark for what a reasonable workload for each Crown attorney should be.

Using data from the Ministry's ICON system, we calculated the average number of charges disposed of per Crown attorney and found a wide variance among Crown attorney offices. For example, at half of the 54 Crown attorney offices, the rate of charges disposed varied by more than 25% of the overall average of 700 charges. Furthermore, the average workload per Crown attorney at two similarly sized Crown attorney offices differed significantly for the 12-month period ending March 31, 2012—572 charges per attorney at one office versus 1,726 charges per attorney at the other. There were also two regions that disposed of significantly fewer charges per Crown attorney, compared to the other four regions, as shown in Figure 4.

Figure 4: Average Number of Charges Disposed of per Crown Attorney by Region, 2011/12

Source of data: Ministry of the Attorney General



One of the key reasons for ensuring that Crown attorney workloads are reasonably comparable is that they should be able to devote a similar amount of time to charges of a similar nature and complexity, regardless of where in Ontario the charge is laid.

Crown attorney offices also had different ways of organizing staff and assigning cases to Crown attorneys. For example, one office we visited had case management co-ordinators to carry out administrative tasks for incoming charges, while in another office Crown attorneys performed these functions.

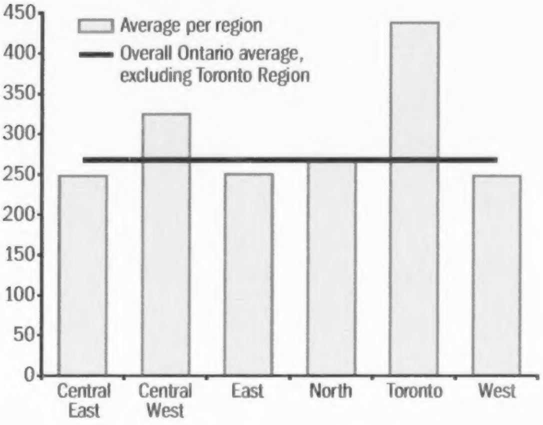
Over the past few years, the Division has drawn up business plans requesting that additional Crown attorneys be hired for initiatives such as efforts to address guns and gangs, high-risk offenders and domestic violence, but these plans have not included any expected outcomes or workload measures. As a result, it is difficult for the Division to demonstrate what payback has resulted from the incremental costs that were incurred or why the additional staff resources were necessary, especially since it has no measures in place to assess the workload of its existing prosecutors.

We noted that both Manitoba and the Public Prosecution Service of Canada (federal prosecutors) track each prosecutor's workload. In addition, British Columbia and Manitoba assign each case to a specific prosecutor, which allows their management to monitor and assess workloads; this is not the usual practice in Ontario. These other provinces and federal prosecutors also use electronic case-management systems to track workloads.

In addition, we calculated the average cost the Division incurred to prosecute charges and noted significant differences between regions, as indicated in Figure 5. For instance, the Toronto Region had the highest average cost at $437 per charge, versus the average of other regions of $268 per charge. As Figure 4 already illustrated, the Toronto Region also disposed of an average of about 40% fewer charges per Crown attorney than the average of other

Figure 5: Average Cost per Charge Disposed of by Region, 2011/12 ($)

Source of data: Ministry of the Attorney General



regions—478 compared to 811. The Division had not done a formal analysis to determine the cause of these variances.

Our discussions with the Division's senior management also revealed that the Division's collective agreement with its prosecutors might be interpreted in such a way as to restrict the Division's ability to address workload pressures, particularly in its ability to relocate prosecutors between Crown attorney offices. In addition, the collective agreement limits the Division's use of contract lawyers to address workload pressures to a maximum of 30 days in any quarter of a year. This could also account for management's reluctance to deal with some of the differences in costs and workloads per office. We did note during our fieldwork that the Division had completed an assessment of its head office support services to Crown attorney offices and as a result had been able to reduce its head office staff by 11 positions.

RECOMMENDATION 3

To ensure that Crown attorneys have the workload flexibility to devote a similar amount of time to charges of a similar nature, the Criminal Law Division should:

- establish benchmarks for what a reasonable workload for each Crown attorney should be;
- collect and analyze information on workloads and cost variances between regions and Crown attorney offices to identify opportunities to use resources as efficiently as possible and address inconsistencies; and
- ensure that management has the ability and flexibility to address temporary and permanent workload pressures by, for example, relocating prosecutors and support staff between Crown attorney offices, and using contract lawyers where and when appropriate.

MINISTRY RESPONSE

The Criminal Law Division recognizes the need and the increasing operational requirement to develop measures of workload.

Defining workload is challenging and must go beyond the number of cases per Crown attorney. There are a number of factors that impact workload. For instance, a significant murder trial could take two Crown attorneys three years, equating to a fraction of a case per year. Also, in a small office, two prosecutors might carry a workload of 1,500 charges per year and have to fulfill all obligations on these charges from screening and vetting right through to disposition. They also might need to travel three hours to deal with some of the charges. It is challenging to determine the relative workload weight of these two examples.

The Division will research other jurisdictions' attempts to measure workload and will develop an approach that meets its needs. Using available data, the Division will then review workload and develop processes for making comparisons. The Division will also use the information to analyze the differences between regions and local offices to determine how resources can be used as effectively as possible. This will also promote staff wellness in the Division by providing additional information on which workload distribution decisions can be made.

QUALITY ASSURANCE

The Division's management style provides regular feedback and support from senior Crown attorneys to prosecutors through ongoing collaboration. However, the Division does not periodically review a sample of the work done by each of its Crown attorneys, particularly its more than 750 assistant Crown attorneys, to assess whether they generally meet expectations and professional and divisional standards. We were advised that the criminal justice system itself acts as an external quality control measure, in that the work of prosecutors is reviewed by police, judges and defence counsel during each case they prosecute. However, senior Crown attorneys who oversee other prosecutors generally get information on the quality of the work done in court by their staff prosecutors only when they are told by court staff, or, periodically, when prosecutors observe colleagues' court proceedings when they happen to be in the same courtroom.

Without such periodic spot checks, divisional management faces a challenge in its bid to ensure that high-quality prosecutorial services are consistently delivered across the province. Periodic reviews would help to identify whether case files are acted on in a timely manner, whether professional standards are met, whether policies for bail and charge screening are complied with, and whether efficiency-increasing initiatives such as diversion programs are used appropriately and consistently.

Crown attorneys have prosecutorial independence in their decision-making, but they are accountable for carrying out the policy direction set out in the Divisional Crown Policy Manual. The manual is a compilation of prosecution policies, detailed legal advice, and practice memoranda and guidelines intended to provide a consistent approach to prosecutions across the province. For instance, the manual addresses procedural policies on charge screening, providing disclosure, dealing with victims and sentencing, as well as accepted practice for specific types of prosecutions, including Aboriginal justice, child abuse, impaired driving and matters under the *Youth Criminal Justice Act*.

Our review of case files at the 11 Crown attorney offices we visited showed a number of inconsistent practices. For instance, ownership and custody of closed case files was handled inconsistently, a number of files we requested could not be located, and standardized forms, such as for charge screening, were either missing or not used by the Crown attorney office. There were also no standards for recording decisions and events, which were therefore inconsistently recorded, both in different offices and within the same office.

In addition, Crown attorney offices have their own management-oversight processes, supplemented by employee performance evaluations done semi-annually by the local senior Crown attorney. However, these evaluations did not include a review of any recent files the prosecutor had completed. Including a spot check of a sample of files as part of the employee evaluation process would also communicate the importance of documenting compliance with Division standards.

We did note certain circumstances where case files were reviewed by senior Crown attorneys, but these processes were ad hoc and were not based on any comprehensive or formal checklist to assess compliance to professional and divisional standards. For instance, quality of case work will be assessed if an appeal is granted by a court, which occurs in less than one-quarter of 1% of all closed cases. In addition, we noted that the Division had initiated a good practice of periodically reviewing some high-profile cases processed by the Major Case Management and Guns and Gangs units of the Division to assess processes or practices that worked well and what could be improved.

From our research, we learned that one other province does reviews of prosecutors' case files and that the federal prosecutors recently initiated a pilot project to do so. In addition, we noted that the Crown Prosecution Service of England and Wales (CPS) had a robust, publicly reported quality assurance program for assessing its work. The CPS's program included assessing case work on closed files against the CPS's core quality standards and the code setting out what their prosecutors do, how they make decisions, and the level of service they commit to in key aspects of their work. In its most recent assessment of more than 10,000 closed case files, the CPS found that 78% of commitments in the case files were fully met, 11.5% partially met and 10.5% not met.

RECOMMENDATION 4

To ensure that regional and division management have adequate assurance that cases are prosecuted in a consistent, timely and effective manner that meets expected standards, the Criminal Law Division should perform a periodic, objective review of a sample of files from each Crown attorney relating to the prosecutions each one handled during the year.

MINISTRY RESPONSE

The Criminal Law Division will compile a list of practices to advance the leadership's commitment to reinvigorate the performance planning and feedback process, including more meaningful feedback that differentiates performance, attendance by the supervising Crown attorney during proceedings and spot-checking files. This information will supplement existing quality control practices with respect to periodic review of files. Consultations with the supervising Crown attorneys will occur prior to implementation of items on the list. In doing so, the Division anticipates that it will be able to ensure the continued development of its workforce and to allow decision-makers to enhance consistency in how files are prosecuted on a local, regional and provincial level. Although these practices have existed in local offices for some time, the Division will benefit from a more consistent approach across all offices.

CROWN MANAGEMENT INFORMATION SYSTEM

Many Crown prosecution services—for example, Manitoba in 1999, British Columbia in 2002 and the Public Prosecution Service of Canada in 2002—have moved to electronic systems that essentially manage and track cases and how resources are used to prosecute those cases.

Ontario Crown attorney offices still rely largely on paper-based manual processes to manage their workload. As of the end of our fieldwork in July 2012, the Division's project to implement an electronic case management system, known as the Crown Management Information System (CMIS), was significantly delayed and projected to be over budget.

The original business case for CMIS was submitted to Treasury Board for approval in December 2006 and estimated that the project would cost $7.9 million and be completed by March 2010. CMIS would allow the Division's 54 Crown attorney offices to receive, track, store, modify and share electronic documents; and to automate several processes, including scheduling, criminal case management and business intelligence. In addition, the new system would allow the Division to receive electronic documents from police forces, including Crown briefs and pre-trial disclosure documents. The Ministry's Justice Technology Service unit was to work with the Division to provide the information technology expertise and manage the project.

In 2010, the Division engaged a consultant to assess why the CMIS project had been delayed. The consultant recommended that the Division put together a dedicated project team, including specialists in change management, communications and implementation management. It also recommended that the software application that was originally chosen for the project be replaced with more robust, vendor-supported, user-friendly software. The project completion date was extended to March 2012, and the Ministry established a new project team.

By September 2011, the new project team leader reported that the project was delayed again. In November 2011, the Ministry developed a new tentative strategy under which an additional three years would be required to complete the project, making the projected completion date March 2015, at a revised projected cost of $11.5 million. As a result, it was decided in May 2012 that the project would be reviewed by the Ministry's internal auditors.

In its June 2012 report, the Ministry's internal auditors raised a number of concerns with respect to the management of this project. The internal auditors also noted that IT consultants hired to develop CMIS, at a cost so far of $1.3 million, were not managed effectively and that billings were based on time spent rather than meeting project deliverables and outcomes.

In addition to the internal auditor's findings on project delays, we questioned why a totally new project was initiated and developed without more carefully considering the systems already in use in other provinces and the cost and time savings that could be achieved by using an already proven system. We noted that, although the Ministry did research existing systems in 2005, it did not pursue, for example, working with Manitoba's system, which we observed has useful features for tracking cases and workloads, something that would address many of the concerns we have raised in this report regarding the Division's lacking information on its operations (although Manitoba's system does not electronically store case documents, which is a feature the Division has specified for its new system). We were advised that Alberta's new case management system will be modelled on Manitoba's system, which was provided to Alberta at a cost of $1. Alberta plans to enhance the system to electronically store case documents. Manitoba's agreement with Alberta requires that Alberta provide Manitoba with any modifications and enhancements to the case management system, which we consider to be a beneficial collaborative arrangement for both parties.

As of July 2012, CMIS was still underway, and a total of approximately $5.2 million had been spent. The Ministry will need to seek Treasury Board's approval should it revise its budget and timeline to complete the project.

RECOMMENDATION 5

To ensure that the paper-intensive processes currently used by the Criminal Law Division are replaced with an electronic case-management system to better manage and track prosecutions and staff resources, the Ministry of the Attorney General should significantly strengthen project management to mitigate the challenges posed by its Crown Management Information System (CMIS). In addition, the Ministry should formally evaluate existing case-management systems in other jurisdictions to identify any potential for achieving savings and shortening the time to get the required system in place.

MINISTRY RESPONSE

The Criminal Law Division agrees with the Auditor's recommendation that having a robust information management system in place will enhance the Division's capacity to more effectively and efficiently prosecute cases and use resources. The Division has already taken steps to enhance its project management and oversight of the CMIS project. Rather than implement the tentative $11.5 million strategy, the Division is now evaluating existing case management systems from other jurisdictions, as well as systems used by police forces, and will continue to do so. Specifically, systems will be re-examined with a view to establishing specific components of a system rather than continue to seek one ideal system for Ontario's prosecution service. For example, the Division is currently re-examining Manitoba's case management system to determine if it could meet some of Ontario's needs.

PERFORMANCE MEASUREMENT AND PUBLIC REPORTING

We found the Ministry does not, in any substantive way, measure or report on the performance of the Criminal Law Division. In fact, the Ministry makes no mention of the Division in its annual reporting.

As we have noted throughout this report, the Division collects little data of its own. For example, the Division does not currently have performance indicators for Crown attorneys' workloads, charges disposed of per Crown attorney, cost per case, average cost of trial resolution, and prosecution outcomes such as conviction rates and use of court diversion programs. It also does not track certain key prosecutorial outcomes, such as trial collapse rates, rates of withdrawal of charges, the number of stays and adjournments, crimes committed by accused persons on bail release, and witness attendance rates.

A number of other jurisdictions we researched, including British Columbia, Manitoba, the Public Prosecution Service of Canada, and the Crown Prosecution Service of England and Wales (CPS) did measure and report on their results. For instance, British Columbia's Prosecution Service publicly reports a strategic plan, which includes its priorities and major projects, and timelines for their implementation. CPS also reports extensively on its business planning and performance management, and analyzes its efforts to meet strategic goals. It reports on criminal case outcomes for each of its districts, witness attendance rates and average costs per case.

In its annual report, the Alberta justice ministry reports on the public perception of fairness in its prosecution service—that is, the percentage of Albertans who agree that the Alberta justice ministry provides fair and impartial service in prosecuting people charged with crimes.

Jurisdictions such as the United Kingdom and the United States report on prosecutors' success rates in obtaining convictions, but we acknowledge that this is not common practice in Canada. Division staff and prosecutors in other Canadian jurisdictions told us that the idea of measuring "success" by computing and emphasizing conviction rates was not consistent with what has been established as the Crown attorney's role: to simply lay out the facts and let a judge and/or jury decide innocence or guilt. However, this view does not take into account the fact that Crown attorneys make decisions on whether or not to prosecute based on what they consider the likelihood of conviction. For instance, dramatically high conviction rates might indicate undue conservatism in proceeding to trial with charges, while low rates might indicate the need for increased senior level oversight and guidance.

As noted earlier, Statistics Canada data shows that Ontario achieved the lowest proportion of guilty verdicts in adult criminal cases among Canadian jurisdictions in 2010/11, as well as the highest proportion of cases in which charges were stayed or withdrawn. Without further analysis, these statistics could mean that, overall, Ontario Crown attorneys are not as successful as prosecutors in other provinces. On the other hand, they could indicate that Ontario successfully re-directs a higher proportion of cases away from courts and to its diversion programs and achieves lower-cost solutions for cases involving relatively minor charges. Without analyzing the reasons for these variances, the Division and the Ministry cannot make an informed judgment on issues such as these. We were advised that the Ministry also does not compare key performance measures with other provinces because there have not been successful collaborative efforts among the various prosecution services to identify appropriate, consistent and meaningful performance measures.

RECOMMENDATION 6

Particularly given the importance of the Criminal Law Division to the mandate of the Ministry of the Attorney General, the Ministry should develop performance indicators specifically for the Division, and should publicly report on the

Division's progress toward those indicators. It should also consider liaising with other provinces' prosecution services to develop common performance measures that would allow for comparison, benchmarking and the identification of best practices.

MINISTRY RESPONSE

Given that what gets measured gets done, the Criminal Law Division acknowledges the importance of continuing to evolve its key performance indicators and of measuring results in support of its core mandate of contributing to public safety for the citizens of Ontario. The Division will continue to explore additional qualitative and quantitative performance indicators, both within the Ministry and with other prosecution services. The audit accurately outlines our concerns about defining success through the measurement of conviction rates. Once these indicators are identified, the Division will move forward to publicly report on the results relating to these performance indicators.

Chapter 3
Section
3.03

Ministry of Health and Long-Term Care

Diabetes Management Strategy

Background

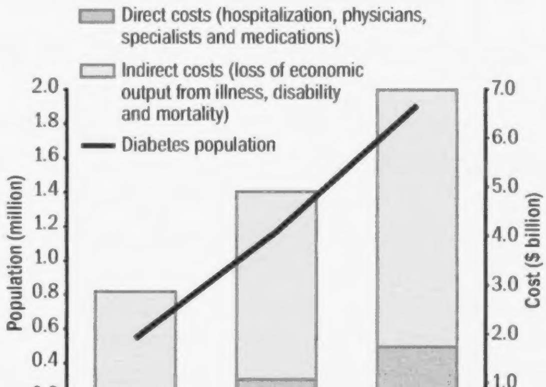
Chronic diseases are the leading cause of death and disability in Ontario. One of the most common chronic diseases is diabetes, which results from the body's partial or complete inability to produce and/or properly use insulin, a hormone that regulates blood sugar. Diabetes can lead to kidney failure, heart attack, stroke, amputation and blindness if poorly managed or left untreated. In Type 1 diabetes, which accounts for 10% of cases, the pancreas produces no insulin. Type 1 is not preventable and its cause remains unknown. The remaining 90% of people with the disease have Type 2 diabetes, in which the pancreas does not produce enough insulin, or the body cannot properly use the insulin it does produce. Type 2 is most often preventable with lifestyle changes that include healthier eating and exercise.

In recent years, diabetes, especially Type 2, has grown significantly as a health problem in Ontario, affecting the quality of life of people who have it and straining the health-care system. Factors driving this growth include high obesity rates, sedentary lifestyles, unhealthy diets and an aging population. Statistics from the Ministry of Health and Long-Term Care (Ministry) and the Canadian Diabetes Association suggest some alarming trends:

- The number of people with diabetes in Ontario is expected to almost quadruple, from 546,000 in 2000 to 1.9 million by 2020, as illustrated in Figure 1. Ontario's diabetes growth rate is among the highest of all provinces, as illustrated in Figure 2.
- People with diabetes incur medical costs that are roughly twice as high as those without the disease. A diabetes patient costs Ontario's

Figure 1: Diabetes Prevalence and Costs in Ontario, 2000–2020*

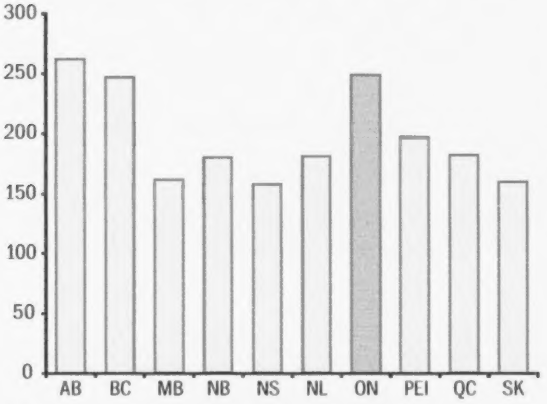
Source of data: Canadian Diabetes Association



* Based on estimates by the Canadian Diabetes Association using the Canadian Diabetes Cost Model. The two main sources of data used for the estimates and forecasts came from the National Diabetes Surveillance System and Health Canada's study "The Economic Burden of Illness in Canada."

Figure 2: Percentage Growth in Diabetes Prevalence, 2000–2020* (%)

Source of data: Canadian Diabetes Association



* Based on estimates by the Canadian Diabetes Association using the Canadian Diabetes Cost Model. The two main sources of data used for the estimates and forecasts came from the National Diabetes Surveillance System and Health Canada's study "The Economic Burden of Illness in Canada."

health-care system more than $3,000 a year, but this can rise to more than $5,000 if the patient experiences complications. Diabetes complications account for 69% of limb amputations, 53% of kidney dialysis and transplants, 39% of heart attacks and 35% of strokes.

In 2008, the Ministry announced a new four-year, $741-million plan, called the Ontario Diabetes Strategy (Strategy), to expand services and improve the health of Ontarians with diabetes. The Ministry said that the Strategy's goals included raising awareness of diabetes risk factors through prevention programs, creating more Diabetes Education Teams to help patients better manage the disease, and developing an online Diabetes Registry to track individual patients and the overall prevalence of the disease across Ontario. The Ministry has identified the Diabetes Registry as a "top clinical priority for eHealth Ontario," which has been working in partnership with a private-sector vendor to develop and implement it.

According to the Canadian Diabetes Association, Ontario is one of five provinces with a formal diabetes strategy (the others are Alberta, Saskatchewan, Manitoba and Nova Scotia). In the four years up to the 2011/12 fiscal year, the Ministry allocated about $648 million of the Strategy's original funding announcement of $741 million to various initiatives, as illustrated in Figure 3. The Strategy was subsequently extended for another four years with a new funding approval of $152 million, which is in addition to funding for diabetes services delivered through other program areas of the Ministry.

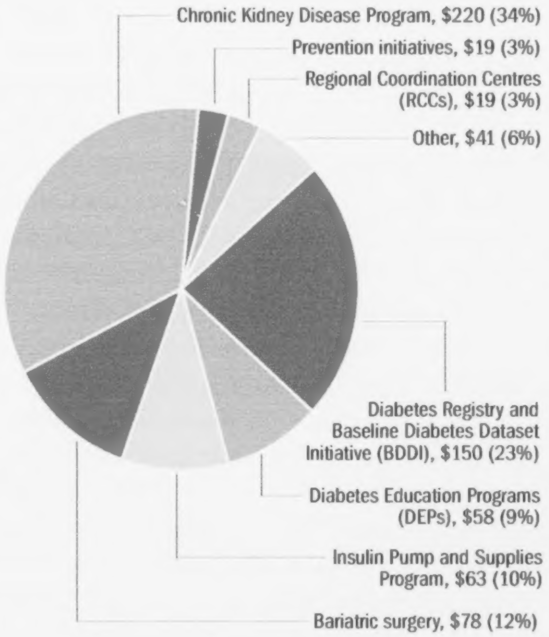
Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Health and Long-Term Care (Ministry) had adequate systems, policies and procedures in place to:

- monitor and assess whether service providers are meeting the needs of people with diabetes

Figure 3: Allocation of Ontario Diabetes Strategy Funding by Key Initiatives, 2008/09–2011/12 ($ million)

Source of data: Ministry of Health and Long-Term Care



by providing them with timely access to appropriate and quality care;
- ensure funding and resources provided for the Ontario Diabetes Strategy (Strategy) are used cost-effectively; and
- measure and report periodically on the results and the effectiveness of the Strategy.

In conducting our audit, we reviewed relevant policies and files, analyzed data, interviewed appropriate ministry staff and reviewed relevant studies from Ontario and other jurisdictions. We also interviewed staff and reviewed documents related to the Diabetes Registry at eHealth Ontario and Infrastructure Ontario. As well, we conducted surveys of about 10,500 physicians with assistance from the Ontario College of Family Physicians (580 responded) and of all 152 Diabetes Education Programs (DEPs), with the assistance of an external survey company (103 DEPs responded). In addition, we contacted and visited stakeholders and diabetes-care providers across the province, including six DEPs, five bariatric surgical sites, four Regional Coordination Centres, and the Canadian Diabetes Association. We also engaged an independent consultant with expert knowledge in the study of diabetes on an advisory basis.

Our audit did not cover any initiatives under the Strategy that had just started, had recently changed, and/or had been audited by our Office in recent years. These include the Centres for Complex Diabetes Care (providing people with complex diabetes a single point of access to specialized care), the Chronic Kidney Disease Program (providing dialysis services to diabetes patients who have kidney failure, a common diabetes complication), and the Insulin Pumps and Supplies Program (providing funding assistance to people with Type 1 diabetes). As well, we did not rely on the Ministry's internal audit service to reduce the extent of our audit work because it had not recently conducted any audit work on diabetes initiatives in Ontario.

Summary

The number of people with diabetes in Ontario has more than doubled from 546,000 in 2000 to 1.2 million in 2010, and that number is projected to grow to 1.9 million by 2020—about one in every eight Ontarians. People with diabetes use the health-care system at about twice the rate of the general population, and the cost of diabetes to Ontario's health-care system is estimated to grow from $4.9 billion in 2010 to $7 billion by 2020. The Ministry recognized the long-term implications of this and in 2008 established a four-year $741 million Ontario Diabetes Strategy (Strategy). Although it is still too early to gauge the Strategy's mid- and long-term impact, in the short term the results have been mixed.

On the one hand, there undoubtedly has been an improvement in the availability of diabetes care, giving people more options and knowledge to enable them to manage the impact of diabetes. On the other hand, most of the diabetes service providers that were set up with Strategy funding are under-utilized, and many of those who responded to our surveys felt that more of their funding should be directed toward preventive services.

According to the Diabetes Expert Panel established by the Ministry in 2006, "keeping people well and preventing disease is the most cost-effective, affordable and sustainable strategy for coping with chronic disease." We noted, however, that 97% of the $741 million funding was earmarked to treat people who already had diabetes, with only 3% for preventive initiatives. Given that 90% of people with diabetes have Type 2, which can often be prevented or postponed with good nutrition and exercise to limit weight gain along with other preventive measures, we believe an increased focus on prevention warrants consideration by the Ministry.

Some of our other observations were as follows:
- eHealth Ontario (eHealth) has been working in partnership with a private-sector vendor to

develop and implement a new electronic Diabetes Registry, a key initiative of the Strategy, to give physicians and the Ministry real-time patient data and comprehensive online monitoring of the disease. The Registry's original delivery date was April 2009, but this deadline was not met and the proposed release date has been extended a number of times. Subsequent to our audit fieldwork, we were advised that the contract with the vendor was terminated in September 2012.

- In August 2010, eHealth and the vendor, through a request-for-proposal process, signed a six-year, $46-million contract that stipulated that the vendor would be paid only after successful completion of the Diabetes Registry. This was designed to help protect the public's interest and to motivate the vendor to deliver a system that meets performance requirements and timelines. Although no payments had been made to the vendor as of mid-2012, the Ministry and eHealth had already incurred about $24.4 million in internal costs directly related to the Diabetes Registry since 2008/09. They also spent another $50 million on other supporting electronic health records initiatives, such as electronic portals to other systems and the Ontario Laboratory Information System, which have already been deployed. eHealth acknowledged that the arrangement to pay the vendor only after successful completion of the contract has traded away much of the province's control over the project's design, progress and delivery time in exchange for price certainty.
- The province's 152 Diabetes Education Programs (DEPs) help teach people with diabetes about the disease and how to manage it. Every DEP runs one or more Diabetes Education Teams (DETs), each consisting of a registered nurse, a registered dietician and other professionals. DETs operate in hospitals, in community health centres and within Family Health Teams (FHTs) to educate diabetes patients. The Ministry funded 101 new DETs under the Strategy, increasing the total number of DETs in Ontario to 322. However, many hospitals and FHTs have also set up education programs of their own with funding from other sources, including another branch of the Ministry, and this has led to service overlaps and under-utilization of about 90% of DEPs.
- The DEPs are required to conduct audits regularly on the quality of care provided by their staff. However, the Ministry has never verified whether they actually do so. Our survey of DEPs found that about 25% said they "have not done" any audits or "do not know" they are required.
- The Ministry provides an organization with $20 million annually to manage and fund diabetes service providers, including 47 DEPs in Northern Ontario, on its behalf. While the Ministry has an accountability agreement with the organization and a reporting process in place, it needs to significantly enhance its oversight of this organization to ensure that the organization and the service providers funded by it have used the Ministry's funding appropriately and in compliance with applicable policies. For instance, the organization has paid a consulting firm $105,000 since the 2009/10 fiscal year for "advice on election strategizing" and "developing relationships with relevant political decision-makers." We also noted that the organization could produce no original itemized receipts to support its staff meal expenses, contrary to its own policies and to policies set out by the government for provincially funded public-sector organizations. We found instances of staff claiming unreasonable amounts for meals and claiming alcohol, neither of which is in line with the rules of the Ontario Public Service.
- The Ministry has significantly expanded Ontario's capacity for performing bariatric

surgery, a procedure that combats Type 2 diabetes in obese people by removing part of the stomach and/or the small intestine. This has led to savings because far fewer out-of-country surgeries are being done. The number of in-province surgeries has risen significantly, from 245 in the 2007/08 fiscal year to 2,500 in 2011/12. However, this still does not meet the current demand and is actually lower than the 2009/10 total of 2,900, when more out-of-country surgeries were performed.

OVERALL MINISTRY RESPONSE

The Ministry acknowledges the recommendations made by the Auditor General of Ontario and thanks him for conducting this timely audit. The Ministry and this government are committed to the development and implementation of innovative initiatives and solutions that address the impact of diabetes and other chronic diseases on Ontarians.

The Ministry welcomes the insights and recommendations provided by the Auditor General. The audit identifies areas of consideration that the Ministry is already taking measures to address and reinforces the Ministry's commitment to addressing the complex challenge of diabetes.

In June 2008, Cabinet approved $741 million in funding for the first four-year phase (2008–12) of the Ontario Diabetes Strategy, a comprehensive strategy to enhance prevention and management of diabetes and improve health outcomes for Ontarians impacted by diabetes. In April 2012, the Ministry confirmed continued funding for the Strategy of $152 million from 2012 to 2016.

Through the Strategy, the government has built on existing investments in prevention and care across the health system to build capacity, make it easier for people to get services they need, and improve the overall quality of diabetes service and care in Ontario. The result will be more opportunities to prevent diabetes for those at risk and, for people with diabetes, a more positive experience with the health system and a better quality of life.

Investments in the Strategy will help build system capacity and an infrastructure for a comprehensive chronic disease prevention and management system that may be readily expanded to address other chronic conditions.

Detailed Audit Observations

KEY INITIATIVES AND PROGRESS OF ONTARIO DIABETES STRATEGY

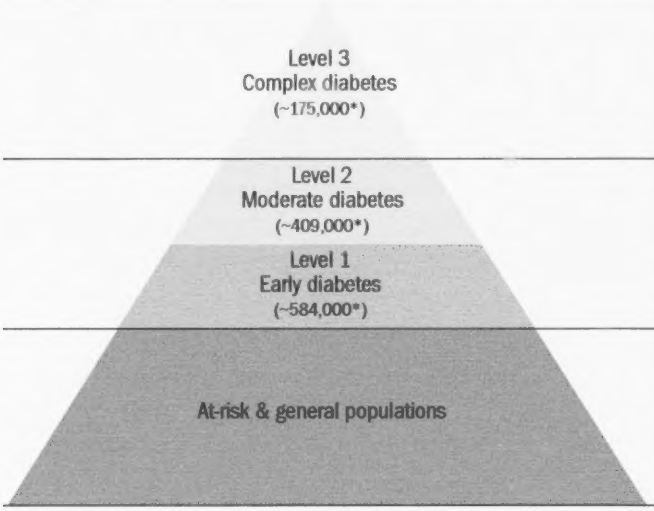
In response to Ontario's growing diabetic population and the costs associated with it, the government launched the Ontario Diabetes Strategy (Strategy) in the 2008/09 fiscal year with funding of $741 million over four years. The Ministry said at the time that the Strategy aimed to "prevent, manage and treat diabetes across the province."

The Ministry has used the modified Kaiser Chronic Disease Management model to graphically illustrate diabetes services along the continuum of care, as illustrated in Figure 4. The model divides Ontarians into three levels, depending on the severity of their diabetes, and a fourth for people who do not have the disease but are at risk of contracting it. The Ministry defined specific initiatives for dealing with each level, as well as "system enablers" to assist in executing the overall Strategy. Since the Strategy's introduction, the Ministry has improved the availability of diabetes services by funding 101 new Diabetes Education Programs (DEPs) and establishing 14 Regional Coordination Centres (RCCs) across the province.

The Ministry also developed performance measures to assess the Strategy's progress at various stages. As Figure 5 illustrates, the short-term

Figure 4: The Modified Kaiser Chronic Disease Management Model

Source of data: Ministry of Health and Long-Term Care



	Key Initiatives or Investments under Strategy
Level 3 Complex diabetes (~175,000*)	• Bariatric surgery • Centres for Complex Diabetes Care (CCDCs) • Chronic Kidney Disease Program • Insulin Pump and Supplies Program
Level 2 Moderate diabetes (~409,000*) Level 1 Early diabetes (~584,000*)	• Diabetes Education Programs (DEPs) • Self-management Initiative • Tools for individuals and health-care providers
At-risk & general populations	• Prevention programs for high-risk groups (e.g., Aboriginal people, Asians) • EatRight Ontario • Improved access to primary care for prevention and early identification
System enablers	• Diabetes Registry and Baseline Diabetes Dataset Initiative (BDDI) • Regional Coordination Centres (RCCs)

* Based on estimates of diabetes prevalence by the Canadian Diabetes Association.

performance measures have shown mixed results and the intermediate or long-term measures have not yet shown improvement. In particular, hospitalization rates for heart attacks, infections, ulcers or amputations among people with diabetes have increased and did not meet targets, but the Ministry indicated that it has not established specific timelines for achieving these targets. Overall, rates have stabilized or decreased for some diabetes-related complications, hospitalizations and deaths, but the actual numbers remain high and can be expected to continue to rise significantly due to the growth of the diabetic population.

Based on the data available to date, we noted that it is still too early to gauge the Strategy's impact over the medium and long term. Clearly, however, much remains to be done to reduce the growing burden of diabetes in Ontario.

DIABETES REGISTRY AND BASELINE DIABETES DATASET INITIATIVE

A key initiative of the Strategy was to have been the electronic Diabetes Registry, a database containing information about every Ontarian with diabetes intended to facilitate the delivery of care by clinicians. The Registry, in conjunction with other foundational systems developed by eHealth Ontario (eHealth), an agency of the Ministry, would also be a first step toward an eventual province-wide Electronic Health Record for every Ontarian by 2015. Pending delivery of the Registry, the Ministry implemented the Baseline Diabetes Dataset Initiative (BDDI) as an interim measure to provide physicians with paper reports containing their patients' most recent dates for the three key diabetes tests. The Ministry has continued to use the BDDI in the absence of a complete Diabetes Registry.

Figure 5: Summary of Key Performance Measures for the Ontario Diabetes Strategy

Source of data: Ministry of Health and Long-Term Care

Key Performance Measures for the Strategy	Target	Baseline*	Oct 2010	Oct 2011
Short-term Measures				
% of Ontarians who are physically inactive	45[a]	52.6	51.2	51.0
% of Ontarians who are overweight or obese	—[b]	51.8	51.7	53.0
% of Ontarians with diabetes who have a regular family doctor	—[b]	97.6	96.4	96.9
Number of Ontarians with diabetes registered with Health Care Connect	—[b]	3,744	4,768	10,335
% of Ontarians with diabetes referred to family health-care provider by Health Care Connect	—[b]	60.5	59.8	63.0
% of Ontarians with diabetes for whom a Diabetes Management Incentive (Q040) was billed	—[b]	25.5	26.3	29.2
% of Ontarians with diabetes for whom a Diabetes Management Assessment (K030) was billed	—[b]	27.5	28.5	32.0
% of Ontarians with diabetes who received all three key tests within the guideline periods	80	37.6	37.8	39.6
Intermediate or Long-term Measures				
% of diabetes prevalence in Ontario population	—[b]	8.7	9.3	9.4
Rate of emergency visits for hyperglycemia or hypoglycemia (abnormal blood-sugar levels) per 100,000 people with diabetes	—[b]	1,185	1,115	1,063
Rate of kidney dialysis and transplant per 100,000 people with diabetes	Maintain original rate	712	842	845
Rate of hospitalization for infections, ulcers or amputations per 100,000 people with diabetes	Reduce last reported rate by 10%	2,294	2,932	3,347
Rate of hospitalization for heart attacks per 100,000 people with diabetes	Reduce last reported rate by 10%	877	1,022	1,082
Rate of eye surgeries per 100,000 people with diabetes	—[b]	3,500	3,612	3,365

* Baseline data were derived between April 1, 2008, and March 31, 2010, depending on the performance measure.

a. Although the Strategy did not set a target for this measure, the ACTIVE2010 Strategy, launched in 2004, set a target of increasing Ontario's physically active population to 55% by 2010 (or reducing its physically inactive population to 45% by 2010).

b. The Strategy did not set a target for this measure.

Diabetes Registry

The Diabetes Registry is an interactive, real-time information system that health-care providers can use to quickly identify and manage Ontarians with diabetes, check patient records, access diagnostic information, send patient alerts and track the care provided to patients against evidence-based guidelines. The Registry is intended to be used to perform continuous and comprehensive province-wide surveillance of diabetes to support planning and monitoring of care. eHealth has been working in partnership with a private-sector vendor to develop and implement the Registry, which the Ministry identified as "a top clinical priority for eHealth."

Timeline of Diabetes Registry Development

The original target date for a first release of the Diabetes Registry was April 2009, but this deadline was not met. According to our review of documentation—which included reports to the Management Board of Cabinet and the Treasury Board, the project charter and plan, original and amended agreements, and meeting minutes between eHealth and the vendor—the proposed release date was moved forward a number of times. The Registry still had not been delivered at the end of our fieldwork in June 2012.

Management at eHealth told us it could comment only on the timing changes that had taken place after April 2010, which was when the new management took office (eHealth changed its management after our 2009 audit of Ontario's Electronic Health Records Initiative). eHealth also informed us that the official and contractual targeted release date under its current management was June 2011.

On completion, the Diabetes Registry initially was to have been phased in at several pilot sites within two of the province's 14 Local Health Integration Networks (LHINs), the not-for-profit corporations that plan, integrate and fund local health services. However, the two pilot LHINs expressed concerns about the repeated delays and about the fact that eHealth no longer meets with them weekly to discuss the status of the Registry project. For its part, eHealth advised us that it and the LHINs decided in fall 2011 to suspend the meetings because of the lack of a reliable schedule for delivery of the Registry. Given that the first release of the Registry at the pilot sites will have only limited functionality, one of the two LHINs told us that it did not see a clear road map for future enhancements; the other questioned the value of the Registry altogether.

eHealth cited the following reasons for the repeated delays:

- The Treasury Board approved the Diabetes Registry budget in August 2008, but procurement was put on hold until May 2009 because of the creation of eHealth and a government decision to involve Infrastructure Ontario in selecting a vendor to develop and implement the Registry. Through a request-for-proposal process, eHealth signed the contract with the vendor in August 2010.
- When bidding for the Diabetes Registry contract, the vendor who won the contract may have underestimated both the time required for the project and the project's complexity.
- The vendor's project-management team may have failed to identify the project's critical path timelines and effectively manage completion of the project components and deliverables.
- The project-design blueprint developed by the vendor appeared to contain many errors and omissions, which led to rejections and reworking of the design.
- The vendor spent a great deal of time fixing numerous quality issues in the Diabetes Registry since the first test in September 2011. There were still hundreds of defects remaining in March 2012.

Development Costs of Diabetes Registry

In August 2010, eHealth signed a six-year, $46-million contract with a vendor to design, build, implement and manage the Diabetes Registry. The contract included a lump-sum payment of about $12 million when the Registry is ready for use and a monthly payment of $575,000 for 60 months during a period of operation and maintenance. Payments to the vendor would not begin until after the Registry was successfully completed and deployed.

Since no payments had been made to the vendor of the Registry as of June 2012, eHealth has not spent all of the $150 million funding approved under the Strategy for the Registry and other related eHealth projects. Since the 2008/09 fiscal year, the Ministry and eHealth have incurred significant internal costs to develop the Registry and other related projects. Specifically:

- Since the 2009/10 fiscal year, eHealth has incurred about $20 million in costs for projects directly related to the Diabetes Registry and another $50 million on other key electronic health records initiatives. These include the electronic portals to other systems, the

Ontario Laboratory Information System, the Patient Registry and the Provider Registry, which have been deployed and play a role in supporting improvements in diabetes care and management.

- In the 2008/09 fiscal year, the Ministry engaged consultants to carry out Diabetes Registry–related projects at a total cost of about $4.4 million. The Ministry informed us that some of the projects were suspended due to the transition of the Registry from the Ministry to the newly formed eHealth, and to changes to eHealth's strategic direction following recommendations of our 2009 audit of Ontario's Electronic Health Records Initiative.

According to the contract with the vendor, it appeared that eHealth could terminate the contract without any obligation to make any payments if the vendor did not achieve the project's independently certified completion by a specified date. While the Diabetes Registry was regarded as a clinical priority for the implementation of certain key aspects of the Strategy, we were advised that with many more physicians migrating to Electronic Medical Records, the Registry is no longer seen as an essential component. Subsequent to completing our audit fieldwork, we were advised that the contract with the vendor had been terminated in September 2012.

Procurement Process and Contract Management

Our review of eHealth's procurement documents related to the Diabetes Registry in the 2009/10 fiscal year indicated that most procurements did not follow an open competitive process but, instead, were sole-sourced without the approvals necessary to bypass the competitive process. However, subsequent to our 2009 audit of Ontario's Electronic Health Records Initiative, we noted that eHealth improved its procurement processes: all procurements we examined in the 2010/11 and 2011/12 fiscal years followed an open competitive process.

eHealth also informed us that it instituted a project management methodology to track deliverables and expenditures throughout the life cycle of a project to give management a snapshot perspective of a project's progress at any time. However, this methodology did not apply to the Registry, which was developed using the Alternative Financing and Procurement (AFP) model, the first time that the government used AFP for an information technology project. eHealth advised us that it applied an alternative project oversight methodology specific to an AFP technology-related project to the Diabetes Registry.

Under AFP, the government as client establishes the scope and purpose of the project, and the work is financed and carried out by a private-sector vendor. Only after a project is complete does the private-sector vendor get paid. According to Infrastructure Ontario, which provided eHealth with procurement-management services for the Registry project, AFP allows for projects to be delivered faster and more efficiently, on time and on budget. AFP also differs from traditional procurement processes in that it is designed to avoid cost overruns and to transfer risks from the government to the vendor, who has the expertise and experience to handle them.

eHealth acknowledged that there have been trade-offs in using AFP for the Registry; as the vendor gets paid only upon successful completion and delivery of the project, the province gets price certainty in exchange for only minimal influence on the design, progress and delivery time of the project. Thus, while the province does not have to pay the vendor for non-delivery of the Registry, it still ultimately bears other risks and costs associated with project delays.

Infrastructure Ontario engaged an external firm to perform a risk analysis before eHealth signed the contract with the vendor, and the analysis identified the risk of delays, which could increase costs and discourage user adoption. However, Infrastructure Ontario concluded that the stipulation that the vendor would not be paid until after the system was certified as complete would be a sufficient incentive to ensure that the vendor completed the project.

Infrastructure Ontario engaged an Independent Certifier on behalf of eHealth and the vendor to monitor the Registry's progress and to issue a final acceptance. In its monthly reports, the Certifier repeatedly raised concerns about impediments to its ability to assess, measure or control the project's progress. However, while eHealth had similar concerns, it informed us that under AFP, it had less leverage to require the vendor to address the deficiencies identified by the Certifier, including:

- serious delays with the overall project;
- no visibility into the project's schedule, scope and progress, and none into the causes for the delays;
- absence of an approved project plan and no targets for milestones;
- tight timeline with minimum buffer;
- quality concerns, as evidenced by the large number of defects identified; and
- fragmented testing approach, with multiple plans and ambiguous criteria.

In April 2011, in an attempt to improve the timeliness and certainty of delivery of the Diabetes Registry, the project was split into two releases: one to be delivered in September 2011 and the other in May 2012. The vendor was to be paid 75% of the acceptance payment after the first release and the remaining 25% after the second, as opposed to 100% on successful completion of the entire Registry as per the original contract.

eHealth informed us that the purpose of amending the contract was to ensure that the first release, a core clinical module, was delivered as early as possible. However, at the end of our audit fieldwork in June 2012, neither release was ready and the delivery date remained uncertain. Infrastructure Ontario advised us that, in its opinion, making first payment to the vendor only after project completion constitutes an incentive for the vendor to complete and deliver the project as soon as possible. As well, the Ministry and eHealth informed us that they have taken steps to mitigate risks associated with delays by continuing to develop other complementary initiatives that support diabetes care and management.

Baseline Diabetes Dataset Initiative

The Ministry launched the Baseline Diabetes Dataset Initiative (BDDI) in spring 2009 as an interim measure pending delivery of the Registry. The BDDI provides physicians with paper reports containing information on their diabetes patients' most recent dates for three key tests. This information helps physicians to better manage their diabetes patients by determining the dates on which patients should receive their next tests. The recommended time frame for each test is as follows:

- blood-sugar test at least once every six months;
- cholesterol test at least once a year; and
- retinal eye exam at least once every two years.

The Ministry and eHealth spent $5.6 million between 2009 and 2012 to implement three waves of the BDDI and another $2.6 million in incentive payments to physicians to encourage them to participate in it. Although the Canadian Diabetes Association has cited the BDDI as a best practice that "facilitates identification of patients for testing on the three tests," we noted the following:

- The Ministry set a long-term goal that 80% of adult Ontarians with diabetes should receive all three key tests within the recommended times. According to BDDI results as of December 31, 2011, 45.6% of adult Ontarians with diabetes had all three tests within the recommended periods—still well below the long-term target of 80% and only slightly higher than on December 31, 2009 (43.1%). The Ministry informed us there is no predetermined timeline for achieving this target.
- The BDDI does not include test results from hospital labs, even though hospitals accounted for about one-third of all labs in Ontario and performed 9% of blood-sugar tests and 10% of cholesterol tests. According to our physician survey and our review of correspondence between the physicians and the Ministry, many physicians indicated that hospital labs are the only major lab services in some rural and northern regions. The Ministry acknowledged

this limitation but noted that the BDDI is an interim measure pending delivery of the Registry.

- Many of the physicians who responded to our survey and the four Regional Coordination Centres we visited expressed other concerns about the BDDI, and a number questioned its usefulness. They noted that the information provided by the BDDI was not timely and was already accessible through currently available Electronic Medical Records now being used by 43% of Ontario physicians. They also noted that the BDDI was a time-consuming manual process of sharing and reviewing patient information.
- Participation in the BDDI is voluntary. As of April 2012, only about half of Ontario physicians were taking part in it.

RECOMMENDATION 1

To allow for efficient and effective diabetes surveillance at the provincial level and to gauge the progress of the Ontario Diabetes Strategy, the Ministry of Health and Long-Term Care (Ministry) should work closely with eHealth Ontario (eHealth) and Infrastructure Ontario to:

- ensure that eHealth's initiatives for chronic-disease prevention and management are implemented with an appropriate quality assurance process so that they meet the needs of physicians and other users; and
- implement measures based on lessons learned from using the total outsourcing system development model for the Diabetes Registry if this procurement process is used for future information technology projects.

MINISTRY RESPONSE

Quality assurance with respect to electronic health tools has been, and will continue to be, a priority of both the Ministry and eHealth. Despite the challenges the vendor has faced with the Diabetes Registry, eHealth has made significant advances in meeting its obligations to develop, integrate and deliver the complementary foundational systems that serve as the backbone of Electronic Health Records.

In applying lessons learned from the Diabetes Registry procurement model, eHealth has already taken steps to improve the procurement process for future projects. In particular, eHealth has applied the AFP model's milestone-based payment structure to procurement of the Drug Information System and has combined this with a rigorous procurement process with contractual provisions allowing eHealth to closely monitor progress, approve the vendor's delivery strategy and hold the vendor more accountable for delays.

DIABETES PREVENTION AND HEALTH PROMOTION

Type 1 diabetes is not preventable. But the opposite is true for Type 2, which accounts for 90% of the diabetic population. The World Health Organization (WHO) says a healthy high-fibre and low-fat diet, along with at least 30 minutes a day of physical activity, can reduce the risk of Type 2 diabetes by 50%. The WHO also notes that more than 90% of Type 2 cases can be prevented or postponed with good nutrition, regular physical activity, smoking cessation and effective stress management.

According to the Diabetes Expert Panel established by the Ministry in 2006, "keeping people well and preventing disease is the most cost-effective, affordable, and sustainable strategy for coping with chronic disease." The Canadian Diabetes Association 2008 Clinical Practice Guidelines also noted that "preventing Type 2 diabetes would result in significant public health benefits, including lower rates of cardiovascular disease, renal failure, blindness, and premature mortality."

Coverage of Diabetes Prevention Initiatives

The Ministry has earmarked only 3% of the $648 million funding allocation of the Ontario Diabetes Strategy (Strategy)—about $19 million—for prevention (see Figure 3). The Ministry informed us that this funding for diabetes prevention initiatives under the Strategy focused on reducing the risks of new diabetes cases. The funding targeted prevention initiatives at 24 local agencies in selected communities with high prevalence of diabetes and large concentrations of ethnic groups at high risk of developing diabetes (for example, Asians and Aboriginal people). We noted that:

- Prevention initiatives in the Strategy targeted the regions of Toronto, Peel, North East and North West, even though statistics from the Institute for Clinical Evaluation Sciences, a leading independent research organization in Canada, noted that other Local Health Integration Network (LHIN) regions, such as Central East and Erie St. Clair, also have an equally high prevalence of diabetes.
- The Ministry achieved its target of reaching 40,000 at-risk people in communities with a high prevalence of diabetes through community-based primary prevention initiatives but acknowledged that it has little reliable information about the size and distribution of the entire at-risk population in Ontario.
- Almost two-thirds of Diabetes Education Programs that responded to our survey said they thought more of their resources should go to educating people at high risk of developing diabetes. However, they have been unable to do this because their funding from the Ministry is intended to assist people already diagnosed with diabetes.

Effectiveness of Diabetes Prevention Initiatives

Policy makers need reliable evaluations of the effectiveness of prevention initiatives to help them set priorities. Such evaluations involve ongoing quantitative analysis of the impact of prevention initiatives on mitigating the risk factors for diabetes, which include unhealthy diet, physical inactivity, and being overweight or obese.

The Ministry informed us that it developed no performance measure under the Strategy to monitor the extent of unhealthy eating among Ontarians because scientific literature has not established unhealthy diet as an independent causal risk factor for diabetes. It has monitored two other risk factors, body weight and physical inactivity. Although the Ministry has not developed targets for these two measures as part of the Strategy, it said that its ACTIVE2010 Strategy in 2004 set a target of reducing the proportion of the population that is physically inactive to 45% from 52% by 2010.

However, as shown in Figure 5, these two measures have remained relatively constant in recent years. More specifically, the October 2011 Report of the Strategy Key Performance Measures said that "the proportion of adults who are overweight or obese has increased significantly since 2003/04 (from 49.6% to 53.0%)" and "the proportion of physically inactive adults has not improved since 2003/04, fluctuating from 50% to 53%."

In May 2011, the Ministry commissioned an external evaluation of its diabetes prevention initiatives. The evaluation concluded that the initiatives had limited impact on increasing public awareness of diabetes and on changing behaviours. In response, the Ministry conducted a diabetes forum in January 2012 with the local agencies that it funds to do diabetes prevention. The agencies had two major suggestions, which they say are needed to promote the long-term success of the prevention initiatives:

- The Ministry needs to provide agencies with sustained multi-year funding commitments and avoid delays in transfer of time-limited funds to minimize implementation delays and difficulties in hiring and retaining staff.
- The Ministry needs to improve its co-ordination and communication with the agencies.

> The agencies indicated that they have been "working in silos." In order to avoid duplicate efforts, the agencies suggested that the Ministry needs to take a more proactive role in developing "a centralized understanding of who's doing what, who needs additional help and support" and facilitating knowledge exchange on best practices.

The Ministry informed us that it planned to conduct a further evaluation of its diabetes prevention initiatives during the 2012/13 fiscal year, and planned to use the results of this evaluation together with information from the diabetes forum to make changes to the prevention initiatives.

Screening for Undiagnosed Diabetes

People with undiagnosed diabetes are those who have developed the disease but have not yet been identified as such by health-care providers. According to the Canadian Diabetes Association (Association) 2008 Clinical Practice Guidelines (Guidelines), undiagnosed Type 2 diabetes may occur in nearly 3% of the adult population. So at least 284,000 Ontarians may not know that they have diabetes. Studies indicate that Type 2 diabetes can remain without symptoms for up to 10 years, and that at the time of diagnosis, 20% to 30% of patients will have already developed complications. Undiagnosed diabetes, therefore, will place more costly burdens on the health-care system in the long run.

Since 2008, the Association has recommended screening individuals as early as age 40 because this has proved useful in detecting undiagnosed diabetes. As yet, there has been no specific strategy for identifying undiagnosed cases across Ontario through targeted screening for Type 2 diabetes and pre-diabetes (a blood-sugar level that is higher than normal, but not yet high enough to be diagnosed as Type 2 diabetes).

The Ministry indicated that, to date, its focus has been on screening for people with risk factors for developing diabetes rather than identifying undiagnosed diabetes. In that regard, the Ministry advised us that it has screened about 4,600 people for diabetic risk factors through its community-based prevention initiatives. It has also implemented a project called the Ottawa Model for Undiagnosed Diabetes aimed at identifying undiagnosed diabetes in patients hospitalized for other reasons and connecting them to diabetes care in their community. The Ministry informed us that because this project covered only about 500 patients at four hospital sites, it would be expanded to other hospital sites in the 2012/13 fiscal year.

Development of a Comprehensive Health-promotion Strategy

The World Health Organization says a healthy lifestyle that includes healthy eating and physical activity is a first line of defence in the prevention of Type 2 diabetes. In 2005, the government established the Ministry of Health Promotion and Sport (which was merged into the Ministry of Health and Long-Term Care in October 2011). In 2006, the Ministry introduced Ontario's Action Plan for Healthy Eating and Active Living (HEAL). However, as noted previously, there has been no recent improvement in the percentages of Ontarians who are overweight, obese or physically inactive.

In March 2011, the government established the Commission on the Reform of Ontario's Public Services to provide advice on the way government delivers services. In February 2012, the Commission released a report suggesting the government should:

- do more to promote healthy lifestyles;
- establish a province-wide chronic-disease prevention strategy;
- take a more comprehensive approach to population health;
- explore regulatory options for the food industry;
- work with the federal government on nutrition regulation; and
- replicate British Columbia's ActNow initiative.

We noted that several well-respected organizations, including the WHO, the Conference Board of

Canada, and the Health Council of Canada, have also credited British Columbia's ActNow initiative, with its cross-government and multi-sectoral approach, as a best practice in health promotion and prevention of chronic disease.

We also noted that in April 2012, Cancer Care Ontario and Public Health Ontario published a report indicating that Ontario's health-care spending focused on treating people after they became ill rather than on keeping them healthy in the first place. The report noted that there are four key risk factors—unhealthy eating, physical inactivity, tobacco use and alcohol consumption—that are strongly related to people developing a chronic disease such as diabetes and that Ontario has developed a comprehensive strategy only to reduce tobacco use. The report recommended a comprehensive chronic-disease-prevention strategy targeting the entire Ontario population using a whole-of-government approach that engages all sectors and levels of government, community groups, businesses, educational institutions and media. The Diabetes Education Programs and many of the physicians who responded to our surveys, as well as the diabetes experts we interviewed, also mentioned that Ontario lacks a multi-faceted strategy to prevent chronic disease and obesity.

The Ministry informed us that the government has introduced initiatives to support healthy eating, including the Healthy Communities Fund Grant Program for the delivery of health-promotion initiatives; the Student Nutrition Program, funded by the Ministry of Children and Youth Services; and the Northern Fruit and Vegetable Program, targeting elementary-school children in selected areas in Northern Ontario. Also, in May 2012, the government assembled a Healthy Kids Panel to advise it on the development of a childhood obesity strategy. We noted, however, that the adult population could be helped by similar health-promotion initiatives and a specific obesity strategy.

RECOMMENDATION 2

To enhance the focus on prevention and early detection of diabetes as long-term, cost-effective strategies, the Ministry of Health and Long-Term Care should:

- re-assess whether allocating only 3% of total dedicated diabetes funding to prevention initiatives is the most cost-effective long-term strategy;
- devise ways to identify, on a more timely basis, people with undiagnosed diabetes; and
- develop comprehensive health-promotion strategies that focus on all Ontarians and consider similar strategies used in other jurisdictions.

MINISTRY RESPONSE

In addition to the allocation under the Ontario Diabetes Strategy, the Ministry has invested more than $335 million annually in health-promotion programs to promote healthy eating, prevent chronic diseases like diabetes, and reduce injury and addiction. However, the Ministry will undertake a review of the funding allocation for diabetes prevention initiatives under the Strategy.

The Ministry is also currently developing a provincial framework that will inform a co-ordinated approach to diabetes screening in community-based primary health care organizations across Ontario.

The Ministry will continue to assess the comprehensive health-promotion and prevention strategies used in other jurisdictions. The Ministry currently participates in several federal/provincial/territorial committees dealing with issues such as healthy weights, sodium reduction and tobacco control, to share information on best practices. The integration of health promotion within the Ministry will allow a renewed focus on broader health-promotion and diabetes prevention strategies.

DIABETES EDUCATION PROGRAMS

In recognition of the fact that providing appropriate information to people with diabetes is essential to the management of the disease, the government initiated the Diabetes Education Programs (DEPs) in 1992 and placed them in three settings: hospitals, community health centres and Family Health Teams. Each DEP consists of one or more Diabetes Education Teams (Teams), and each Team consists of a registered nurse and a registered dietician. Teams may also have other health-care professionals, such as social workers, psychologists, foot-care specialists, pharmacists and physiotherapists. DEPs use counselling in groups and one-on-one to promote self-care and help patients improve their quality of life, minimize their symptoms, and prevent complications.

Given the extra funding available with the Strategy, the Ministry has expanded the DEPs by adding 101 new Teams since the 2009/10 fiscal year. Currently, the Ministry funds 322 Teams in 152 DEPs across the province. Of the 152 DEPs, 47 in Northern Ontario were funded and managed on behalf of the Ministry by a not-for-profit organization that has signed an accountability agreement with and received funding from the Ministry.

Monitoring of Diabetes Education Programs

Performance Evaluation of DEPs: Caseload Benchmark

The Ministry has monitored the DEPs using a caseload benchmark: each Team (one full-time registered nurse and one full-time registered dietician) in a DEP should have an active caseload of 1,000 patients or more per fiscal year. We noted, however, that this benchmark may no longer be representative because it was developed in 2001, when there were only 71 DEPs, compared to the current total of 152. The program's scope has also grown and evolved since 2001.

As well, the benchmark was developed on the assumptions that each patient would get five hours of services a year, and that 60% of services would be delivered through individual counselling and 40% in group sessions. However, the majority of the DEPs that responded to our survey indicated that these assumptions did not reflect their actual activities and needed to be reviewed. The Ministry informed us that it has initiated a benchmark review during our audit and was in the process of finalizing an analysis report in August 2012.

We noted that about 90% of DEPs did not meet the 1,000-patient caseload benchmark in each fiscal year since 2008/09, and more than one-third of them failed to achieve even 50% of the benchmark in 2010/11. The Ministry informed us that in June 2011 it required any DEP that failed to meet at least 50% of the benchmark to submit a Performance Improvement Plan. After our audit fieldwork, the Ministry indicated that it was in the process of reviewing the results of those DEPs implementing the plans as part of its ongoing monitoring of the DEPs.

Consistency and Quality of DEPs

We noted that the Ministry has not adequately monitored the consistency and the quality of service provided by the DEPs across the province, other than to evaluate them against the 1,000-patient caseload benchmark. For example:

- According to the Policies and Procedures Manual for DEPs issued by the Ministry, DEPs are required to conduct routine audits of the quality of care they provide on a regular basis and hand over all information about such audits to the Ministry on request. The Ministry has given the DEPs no guidance on what the audits should cover or how often they should be conducted; nor has the Ministry requested any audit results from DEPs to determine if they were in compliance with the requirement. According to our survey of DEPs, the frequency of such audits varied, with about one-quarter of the DEPs saying they "have not done" any audits or "do not know" they are required to conduct such audits.

- Physicians who responded to our survey indicated that high staff turnover and inadequate training for new staff at DEPs has affected quality of care. In addition, they were uncertain about the DEPs' ability to give patients appropriate advice. They also noted that DEPs often promoted new drugs that had no proven track record, and provided education of varying quality to patients.
- There is a certification program for the designation of Certified Diabetes Educator (CDE). However, since this program is voluntary, not every DEP has staff with the CDE designation. The Ministry informed us that it has encouraged the DEPs to recruit staff with this certification and/or help staff obtain this certification. However, it has not tracked or monitored the competence, skill levels and qualifications of DEP staff.

Oversight of Northern Diabetes Education Programs

The Ministry has an accountability agreement with and provides transfer payments to a not-for-profit corporation to fund and manage 47 adult DEPs in Northern Ontario, 35 pediatric diabetes programs, Northern Ontario aboriginal diabetes services, and Regional Coordination Centres in the northeast and northwest regions. The Ministry informed us that the organization is responsible for selecting diabetes service–providers to meet its funded objectives as outlined in its accountability agreement with the Ministry.

The organization is small, with about 10 staff located in three offices. The same senior management has been in place since its creation in 1992. Over the past decade, annual ministry funding to the organization has increased from $7 million to $20 million for expanding services across Northern Ontario. According to its accountability agreement with the Ministry, the organization is responsible for administering the funds in a prudent and effective way.

The organization transfers most of its ministry funding to the community-based diabetes service providers, including the DEPs in the north, to deliver diabetes care. The organization has given about $66 million to service providers between the 2006/07 and 2010/11 fiscal years, and transferred the majority of these funds, about $44.5 million, to adult DEPs. The Ministry requires the organization to have an accountability agreement with each northern DEP, and to collect quarterly and annual reports summarizing caseloads, activities and financial information from each DEP. The Ministry informed us that the organization has accounted for funding granted to the DEPs through an annual settlement and reconciliation process. However, our review of the organization's audited financial statements indicated that, since 2007, its auditors have been unable to provide a normal "clean" audit opinion of its financial statements because the auditors did not examine the records of the service providers funded by the organization. The organization informed us that it assumed the funds it gave the service providers went to providing diabetes care.

Based on our review of the organization's expenditures, we also noted some questionable practices, some of which ran contrary to its own policies and/or to those in the Broader Public Sector (BPS) Expense Directive that became effective April 1, 2011. Examples included:

- Since the 2009/10 fiscal year, the organization has paid a consulting firm a total of $105,000, including a $5,000 monthly "retainer fee" and reimbursements for telephone, fax, meal and taxi expenses. In October 2010, it signed a formal agreement with the firm for such services as "providing strategic advice on election strategizing and membership mobilization," and "developing relationships with relevant political and bureaucratic decision-makers." The organization informed us that its board of directors approved the engagement of the consulting firm for high-level strategic advice to ensure that the government was aware of the organization. However, the Ministry informed us that it never approved a budget for consulting services of this nature and that the organization never sought ministry approval to reallocate funding to these services.

- The organization had inadequate record-keeping practices relating to staff travel and meal expenses. Almost all of the meal expenses we reviewed were supported only by credit-card slips or handwritten notes rather than by the original itemized and detailed receipts, as required by the organization's own policies and the BPS Expense Directive. Often, these records did not specify the names of the people who attended or the purpose of the meals.
- The organization's policies did not align with the rules in the Ontario Public Service (OPS) regarding consumption of alcohol and reasonableness of meal expenses. Although the organization informed us that it did not encourage the claiming of alcohol on expense charges, we found instances where staff did so. As well, the organization's policies did not specify the maximum amounts per meal. We also noted instances where staff claimed meals costing up to $80 per person.
- Travel expenses claimed by the organization's CEO amounted to about $40,000 each year. When travelling to Toronto, the CEO received $100 per day for accommodation in a private home. This was four times more than the per diem rate of $25 specified in its policies. Although the BPS Expense Directive does not specifically address this per diem, it does say that "due to mandatory requirements, and the principles of transparency and accountability, it is clear that per diems would no longer be allowed" and "in the OPS, per diems are no longer used."
- The organization leased an office in Kenora in October 2010 but decided to close it in July 2011 due to difficulties in securing qualified staff. This resulted in a lease termination charge of about $12,000. The Ministry informed us that although the organization had discussed with it the consolidation of its offices in Kenora and Thunder Bay, the Ministry was unaware that the Kenora office had been closed and that the organization had incurred a relatively significant termination charge.
- The organization paid about $2,000 to send an executive assistant to Las Vegas for a management course designed for managers, supervisors and others with management responsibilities.

While we suggested that an enhanced oversight of this organization was required, the Ministry indicated that, as with any broader-public-sector organization it funds, its oversight role does not include monitoring expenses incurred by the organization's staff. The Ministry said it expected organizations to have proper policies and procedures in place, but indicated that ensuring adherence to the applicable policies and directives is the responsibility of the organization's board of directors.

Subsequent to our audit, the Ministry informed us that it had taken some actions, including the recovery of about $40,000 in unapproved expenditures from the organization in June 2012. The Ministry also followed up in areas of the organization's non-compliance with requirements of the Broader Public Sector Accountability Agreement in August 2012.

RECOMMENDATION 3

To ensure that Diabetes Education Programs (DEPs) provide diabetes patients with consistent and quality care, and in compliance with applicable policies, the Ministry of Health and Long-Term Care should strengthen its oversight of DEPs and other recipients of diabetes funding by:

- **developing appropriate service-delivery and cost-effectiveness measures and requiring**

DEPs to periodically report on these measures; and

- conducting periodic site visits to selected regional, community and broader-public-sector organizations that receive diabetes funding.

MINISTRY RESPONSE

The Ministry's current agreements with transfer-payment recipients require that local diabetes programs comply with and provide minimum service components. The Ministry, together with the LHINs, will conduct a follow-up review of the agreement framework to identify further opportunities to strengthen accountability.

Apart from the measurement framework developed by the Ministry in partnership with Health Quality Ontario and the Regional Coordination Centres in 2011/12, the Ministry will develop additional DEP performance measures and reporting requirements that are aligned with the attributes defined in the measurement framework.

The Ministry will review how it can apply greater oversight of broader public sector organizations receiving funding for diabetes services, and will continue to take timely, appropriate action when non-compliance with agreements is identified. The Ministry is developing further monitoring activities such as refinements to its annual reconciliation process, developing a protocol for periodic site visits, and examining the potential of obtaining attestations from the organizations' boards to ensure their compliance with the requirements of the Transfer Payment Accountability Agreements.

CO-ORDINATION OF AND ACCESS TO DIABETES-CARE PROVIDERS

Co-ordination among DEPs

As part of the Strategy, the Ministry's Provincial Program Branch (PPB) has funded 101 new DEP teams in hospitals, community health centres and Family Health Teams (FHTs) since the 2009/10 fiscal year. The Ministry informed us that the locations of the new teams were based on proposals from the LHINs. At the same time, we noted that the Ministry also funded other diabetes programs. For example, FHTs have received funding from the Ministry's Primary Care Branch to set up chronic-disease management programs, which include diabetes programs, and hospitals have allocated portions of their global funding to set up diabetes programs. However, the Ministry informed us that the PPB maintained records only for PPB-funded DEPs and was unable to confirm which other FHTs and hospitals have also funded diabetes services.

The DEPs we visited, and those that responded to our survey, indicated that they have been unable to meet the Ministry's 1,000-patient caseload benchmark because their catchment areas overlapped with those of other diabetes programs. This situation has led to under-utilization of many DEPs and even competition among DEPs for diabetes patients as they attempt to meet the benchmark. In fact, all of the DEPs we visited were located close to other diabetes programs. For example:

- One DEP was located within a five-minute walk of two FHTs with diabetes programs and within a 10-minute drive of another DEP.
- A DEP was located in the same hospital as a registered dietician who also delivered education about diabetes management in a hospital-based clinic.
- One significantly under-utilized DEP was located in a rural area that also had four other DEPs covering the same catchment area.

Co-ordination between DEPs and Physicians

The Canadian Diabetes Association 2008 Clinical Practice Guidelines recommended diabetes self-management education for all people with diabetes. In 2011, a team of researchers from two Ontario universities studied physicians' patterns of referring their patients to DEPs in a suburban region of southern Ontario. With the assistance of the Ontario College of Family Physicians, we extended this study by surveying all family physicians in the province. Both the 2011 study and our survey found that many physicians did not refer all of their diabetes patients to DEPs. The most common reasons given for not referring were "patients unwilling to go" and "physicians able to provide education in-house." The main reasons that patients were unwilling to go were "times unsuitable, with no evening or weekend services" and "language barriers." These reasons were in line with our survey of DEPs, which found that almost all of them were closed evenings and weekends, and about half did not offer language-specific services.

As well, our DEP and physician surveys suggested that lack of communication and co-ordination between the DEPs and physicians has been a barrier to provision of diabetes care. About 60% of the DEPs that responded to our survey noted that co-ordination and communication with other health-care providers, especially physicians, has been a major challenge. Even though lab test results on blood sugar and cholesterol could help the DEPs monitor their patients, 43% of the DEPs in our survey said they received lab test results only half the time or less from physicians and other health-care providers. Physicians, for their part, noted they often did not receive information from local DEPs regarding the progress of patients the DEPs were seeing.

Diabetes Management Incentive for Physicians

In April 2006, the Ministry introduced a Diabetes Management Incentive (DMI) to promote quality diabetes care. DMI is a $75 annual payment to physicians for co-ordinating, providing and documenting all required elements of care for each diabetes patient consistent with the Canadian Diabetes Association 2008 Clinical Practice Guidelines. Ontario Health Insurance Plan (OHIP) data showed that the Ministry made about $95 million in DMI payments to physicians since 2006. However, we noted that the impact of the DMI in encouraging physicians to provide continuous and co-ordinated diabetes management was unclear. Specifically:

- Forty-six per cent of physicians who responded to our survey indicated that the DMI had no impact on the way they managed their patients. Of these, about 14% did not even realize the DMI existed.
- The October 2011 report on the Ontario Diabetes Strategy Key Performance Measures showed that the DMI was claimed for less than 30% of diabetes patients in each fiscal year since 2008/09, with only a slight increase during the period, as illustrated in Figure 5. This suggested a lack of awareness or usage of the DMI.
- In April 2012, researchers from the University of Toronto released a study reporting little difference in overall performance before and after the introduction of the DMI. They found that those physicians already providing higher-quality care simply continued to do so while claiming the DMI, and they concluded that the DMI "led to minimal improvement in quality of diabetes care at the population and patient level."

Access to Specialized Diabetes-care Providers

A multidisciplinary team approach involving different health-care providers has been proven effective in delivering diabetes care. According to the Canadian Diabetes Association 2008 Clinical Practices Guidelines, "a team of health-care professionals—including physicians, nurses, diabetes educators, pharmacists and other health-care experts who work together with the individual living with diabetes—is the recommended approach to achieve optimal care." The Diabetes Expert Panel appointed by the Ministry in 2006 also noted that the "interdisciplinary team is critical to the successful diabetes management."

Our survey of the DEPs indicated that the levels of care and access to specialists varied from one DEP to another. Only 25% of the DEPs that responded to our survey said they were funded for specialists other than registered nurses and registered dieticians. Although it is unlikely that there is sufficient funding to staff every DEP with an array of specialists, certain specialists are critical to diabetes patient care. For instance, 60% of DEPs in our survey identified foot-care specialists as the most-needed professionals, but 40% said their patients had no ready access to these specialists. About half of the physicians who responded to our survey also identified "lack of timely access to foot-care specialist" as one of the most common problems in caring for patients with diabetes, for whom foot infections are a major reason for hospitalization. According to a report published in April 2012 by the Institute for Clinical Evaluative Sciences, a leading independent Canadian research organization, about 74 per 10,000 Ontarians with diabetes have had lower extremity amputations that were mainly triggered by foot infections resulting from poor circulation and nerve damage caused by diabetes.

Diabetes Regional Co-ordination Centres

After Cabinet approved the Regional Coordination Centre (RCC) program in October 2009, the Ministry established a diabetes RCC in each of Ontario's 14 Local Health Integrated Networks (LHINs) to promote access to co-ordinated diabetes services regardless of where in Ontario people live. The Ministry and each LHIN selected a host agency (a hospital, community health centre or Community Care Access Centre) to manage the RCC. The RCCs do not deliver diabetes services directly, but work with their respective LHINs and health-care providers to co-ordinate diabetes care in a region.

The RCCs have been in place only since the 2009/10 fiscal year, so it is not yet possible to assess their long-term impact. We did note that the RCCs have made some progress in improving regional co-ordination of diabetes services. However, the four RCCs we visited raised the following concerns, which they said must be addressed to enhance their effectiveness. Among them:

- There is a need for clarity and standardization across regions regarding the interpretation of RCC deliverables, such as depth of support to service providers. However, the Ministry informed us that variation across the RCCs is needed to reflect local and regional needs.
- Communication of RCC roles at the provincial level has been limited or ineffective. Although the RCCs have also made an effort to promote themselves, they acknowledged that many stakeholders, especially physicians, were still not aware of their role and mandate. The Ministry indicated that it provided formal communication about the RCCs in quarterly newsletters, at conferences and events, and through a refreshed diabetes website.
- The RCCs have been leading regional diabetes planning and co-ordination by working closely with the DEPs, but the RCCs and the DEPs report to different branches of the Ministry, hindering efforts to evaluate their relative effectiveness.

- Despite monthly teleconferences and quarterly face-to-face meetings, there has not been enough dialogue between the Ministry and the RCCs. For example, we noted cases where one branch of the Ministry did not consult and inform the RCCs when making changes at the DEPs. As well, although one branch of the Ministry asked the RCCs to do patient consultations, the RCCs found that another branch had also initiated a similar survey. The RCCs also informed us that there is a need to increase the Ministry's participation in RCC stakeholder meetings to address the issues and barriers faced by the DEPs.
- The RCCs have been developing their own tools and processes, such as patient surveys, performance indicators and guidelines for leading practices, concurrently, resulting in duplication of effort and inconsistencies in reporting and measurement of effectiveness. The Ministry informed us that since variations exist across the RCCS, there is a need for flexibility to address local and regional circumstances.

The Ministry acknowledged these issues and indicated that they are being addressed. In April 2012, for example, the Ministry in partnership with the RCCs and Health Quality Ontario finalized a Measurement Framework that included measures to track and monitor regional performance. The Ministry advised us that it is working with the RCCs to identify common indicators for these measures in the 2012/13 fiscal year, and it has formally clarified expectations and respective roles of the RCCs and their host agencies.

RECOMMENDATION 4

To improve co-ordination among diabetes-care providers and access to specialized diabetes care, the Ministry of Health and Long-Term Care should:

- take into account the demand for and availability of diabetes services offered in community health centres, hospitals and Family Health Teams when allocating diabetes funding and other resources to avoid duplication or under-utilization of services;
- evaluate the need for the Diabetes Management Incentive, given the evidence indicating its lack of impact on encouraging physicians to provide continuous and co-ordinated diabetes management; and
- monitor whether people have timely and equitable access to diabetes-care specialists in high demand, such as foot-care specialists, especially where there is evidence that a lack of timely treatment is likely to result in hospitalization.

MINISTRY RESPONSE

The Ministry will undertake a review of its current operating framework to identify opportunities to further reduce potential duplication and/or under-utilization. The current RCC program leverages information on the demand for, and availability of, diabetes services within local regions to drive effective and efficient co-ordination, integration and delivery of services.

The Ministry continues to benefit from expert panels in strengthening primary care, which will be extended to include advice from the expert group on all physician incentives and their effectiveness, including the Diabetes Management Incentive.

The Ministry will, as appropriate, include equitable access to diabetes care specialists as part of its regular review and refinement of the Ontario Diabetes Strategy.

BARIATRIC SURGERY

About 90% of people with Type 2 diabetes are overweight or obese, according to the World Health Organization and the Canadian Diabetes Association. The International Diabetes Federation also noted that the risk of developing Type 2 diabetes is 93 times higher for obese women and 42 times higher for obese men than for those at a healthy weight.

Although bariatric surgery by itself does not "cure" obesity, it does result in substantial, sustained and long-term weight loss by removing part of the stomach and/or the small intestine. As one would expect, post-surgical follow-ups and ongoing diabetes management are critical to maintain weight loss. Studies have consistently demonstrated that bariatric surgery is cost-effective for severely obese diabetes patients and stabilizes Type 2 diabetes in 60% to 80% of patients within a year or less.

Access to and Cost of Bariatric Surgery

Prior to the Strategy, most Ontarians requiring bariatric surgery received it in the United States, with OHIP covering the costs. As part of the Strategy, the Ministry announced it would spend $75 million to increase Ontario's capacity to do bariatric surgeries. The Strategy called for the establishment of the Ontario Bariatric Network, consisting of six Regional Assessment and Treatment Centres and four Bariatric Centres of Excellence in hospitals across Ontario. Additional funding brought the total to about $108 million by the 2011/12 fiscal year. The number of in-province bariatric surgeries has increased from 245 in the 2007/08 fiscal year to 2,500 in 2011/12.

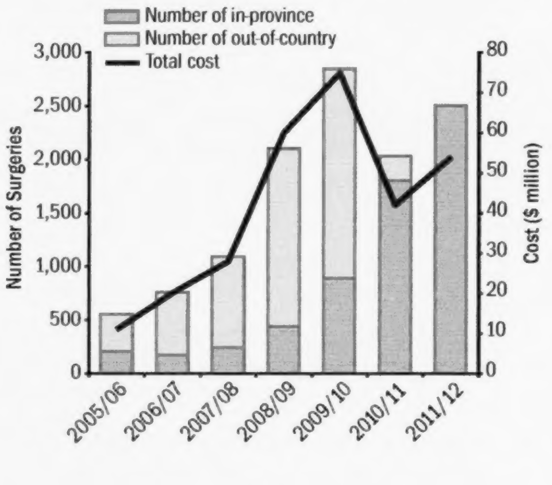
Since February 2010, the Ministry has required Ontarians seeking bariatric surgery to be assessed at a Regional Assessment and Treatment Centre. Patients would be approved for out-of-country bariatric surgery only if their referring physicians applied for them and they met the regulatory requirements for out-of-country health services. The Ministry's goal was to have more bariatric surgeries performed in Ontario to save money and to ensure that adequate assessments and follow-ups are being done.

Since the expansion of the capacity to perform them in-province, about 5,200 bariatric surgeries were performed in Ontario between 2009/10 and 2011/12. Annually, the number of bariatric surgeries done in Ontario increased by 180%, from about 890 in the 2009/10 fiscal year to about 2,500 in 2011/12. However, the total number of people getting the surgery actually dropped 14%, from about 2,900 in the 2009/10 fiscal year to about 2,500 in 2011/12, as illustrated in Figure 6. This is because significantly fewer out-of-country bariatric surgeries are being approved.

In February 2011, the Ministry announced that the expansion of bariatric services in Ontario would save the province about $45 million in out-of-country OHIP costs in the 2010/11 fiscal year. We noted that a more accurate estimate of savings would be about $35 million after including the cost of additional bariatric surgeries performed in Ontario. However, this figure does not reflect any potential costs of patients who could develop other health complications as a result of waiting longer for bariatric surgeries in Ontario, as indicated in the following sections.

Figure 6: Number and Cost of Bariatric Surgeries, 2005/06–2011/12

Source of data: Ministry of Health and Long-Term Care



Capacity and Demand for Bariatric Surgery

In May 2009, the Ministry estimated that 342,000 Ontarians would be eligible for bariatric surgery and assumed that 2% (about 6,800) of those would proceed to the surgery by 2013. The Ministry also projected about 3,000 new referrals per year, based on data from 2005, then the most recently available. Ministry data showed that in the 2011/12 fiscal year, about 2,500 bariatric surgeries were performed in Ontario, as illustrated in Figure 6. This exceeded the Ministry's current target of 2,400 but is not yet meeting the projected demand.

Our research also indicated that the actual demand for bariatric surgery has significantly exceeded the forecasts. In the 2011/12 fiscal year alone, there were about 8,000 new referrals, or 2.6 times more than the ministry forecast. We also noted that wait lists for bariatric surgery in Ontario suggest demand has far outpaced capacity. According to hospital data for the fiscal years between 2009/10 and 2011/12, there were about 22,000 referrals. The Ministry informed us that about 70% of these referrals, or about 15,400 cases, would proceed to surgery, but we noted that only about 5,200 bariatric surgeries were actually performed. The remaining referrals were either awaiting or undergoing pre-surgical assessment and preparation procedures. This gap will likely widen if demand continues to grow more quickly than capacity. We noted that the average overall wait time was 12 months if the surgery was done in Ontario, compared to six months if the surgery was approved to be done outside Ontario, mainly in the United States.

The Ministry informed us that it has been difficult to make accurate demand forecasts due to the elective nature of bariatric surgery. To address this challenge, the Ministry informed us that it has created a clinical registry to monitor quality and wait times. It also said that it will continue to allocate more resources to bariatric surgery. In the 2012/13 fiscal year, for example, there will be a one-time funding allocation of about $48 million, and Ontario hospitals will be expected to perform 2,580 bariatric surgeries and to treat 1,650 potential bariatric surgery patients in medical or behavioural programs as an alternative to surgery.

Referral Process and Wait Times of Bariatric Surgery

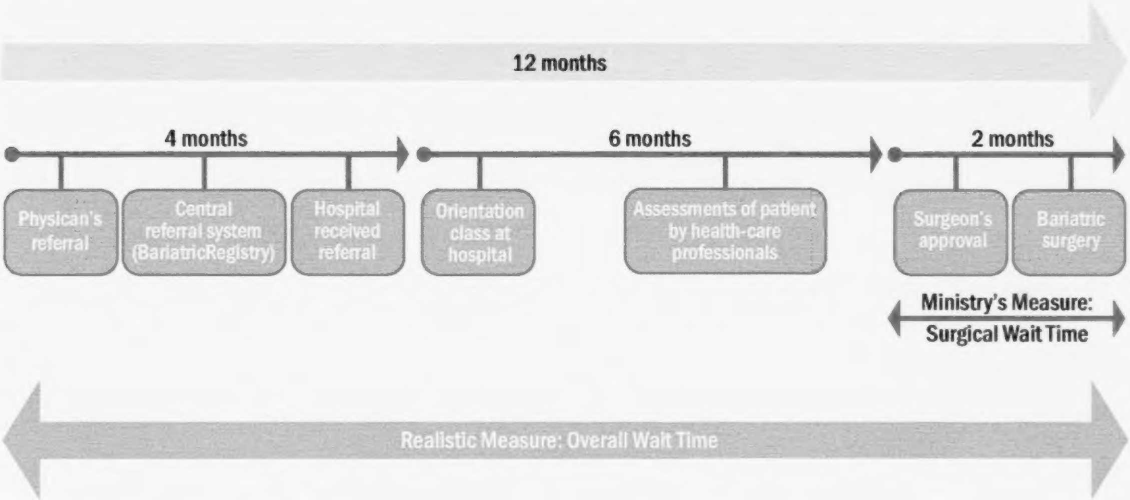
Alberta, British Columbia, Quebec and Saskatchewan also fund bariatric surgery in their provinces. Cross-jurisdictional comparison of the processes and wait times is not possible because policies and practices vary from one province to another. For instance, Ontarians seeking bariatric surgery follow a standard, centralized referral process to better ensure consistent assessment and prioritization of patients, as illustrated in Figure 7. The referral process in other provinces has not been centralized and each surgeon manages his or her own wait list.

The Ministry collected wait-time data for bariatric surgery from the hospitals. However, we noted that two hospitals each reported identical wait times for every month from December 2010 to November 2011, but neither was able to provide us with any documentation to support the wait times they reported to the Ministry. The Ministry indicated that it was likely due to the transition from a paper-based referral process to a centralized electronic system. Nevertheless, this made us question whether the wait-time data being collected by the Ministry was reliable, and accordingly, we measured wait time by reviewing patient files at the hospitals.

As illustrated in Figure 7, the Ministry measured only the wait time from surgeon's approval to actual surgery, and did not include the period prior to surgeon's approval. According to the Ministry, this is the standard for tracking wait times for surgeries in Ontario. Using the Ministry's wait-time measure, the average surgical wait time was only two months. However, our review found that patients waited an average of 12 months for surgery if the wait time was measured from the time of their physician's original referral to the actual surgery, as illustrated in Figure 7.

Figure 7: Referral Process for Bariatric Surgery in Ontario

Prepared by the Office of the Auditor General of Ontario


12 months
4 months
6 months
2 months
Physican's referral
Central referral system (BariatricRegistry)
Hospital received referral
Orientation class at hospital
Assessments of patient by health-care professionals
Surgeon's approval
Bariatric surgery
Ministry's Measure: Surgical Wait Time
Realistic Measure: Overall Wait Time

Our review of patient files and hospital data showed that the significant backlog for bariatric surgery was due not to a shortage of surgeons and/or operating rooms but rather to the long time that patients waited between the original physician's referral to when the surgeon approved the surgery. Specifically:

- Patients waited between two and seven months for a hospital orientation class, which bariatric surgery requires, possibly because classes were small and/or infrequent, or because of confusion among physicians about the referral process; physicians sometimes mistakenly sent referral forms to hospitals rather than to the central referral system. Hospital data showed that about 2,600 patients (representing about 12% of total referrals from the 2009/10 to 2011/12 fiscal years) were waiting for orientation classes as of March 31, 2012.
- Patients waited between five and eight months for specialist assessments. The waits depended on availability of hospital resources and level of patient needs, with some patients requiring more assessments before surgery. Hospital data showed that about 10,500 patients (representing about 48% of total referrals from the 2009/10 to 2011/12 fiscal years) were waiting for or undergoing assessments as of March 31, 2012.

While the Ministry's approach to reporting wait times for bariatric surgery is the same as that used for all surgeries in Ontario, we believe additional information regarding times that patients have to wait for orientation and assessment would provide the public with a better understanding of the referral process and what to expect. However, we also noted a McGill University Health Centre study published by the Canadian Medical Association in June 2009 which said that although most health authorities defined wait time as the period between a surgeon's approval and either hospital admission or actual surgery, "this same definition is inappropriate for bariatric surgery because the enormous numbers of patients requesting this surgery would lead to a clinically unacceptable period from declaring a patient fit for surgery to the actual surgery. The realistic wait time for bariatric surgery must be defined as the overall wait time."

Quality of Bariatric Services

We found that the Ministry did not have adequate procedures in place to assess whether the referral process for bariatric surgery operated as intended and whether patients received quality care. We noted, for example, that since the 2009/10 fiscal year, 29 bariatric surgeries were performed at hospitals not designated as a Bariatric Centre of Excellence. The Ontario Bariatric Network also informed us that it raised questions with the Ministry about the quality of services provided by non-designated hospitals.

Since bariatric surgery has become more common, there have been growing concerns about uneven quality across hospitals. In the United States, the American College of Surgeons Bariatric Surgery Center Network (College) and the American Society for Metabolic and Bariatric Surgery (Society) accredit hospitals that perform bariatric surgery. In contrast, no professional medical bodies in Canada offer similar accreditation for bariatric surgery. Bariatric surgical sites in Ontario could also obtain accreditation from the United States, but of this province's eight sites, only two have obtained such an accreditation, both from the College. However, the Ministry informed us that it does not support U.S.-based accreditation, as the U.S. accreditation bodies require mandatory data submission, which would impose costs and administrative burdens on Ontario's hospitals. The Ministry also indicated that in the absence of Canadian accreditation, the Ontario Bariatric Network has set provincial standards and protocols for continuous quality improvement and monitoring of bariatric services in Ontario.

RECOMMENDATION 5

To ensure that people receive adequate, timely and quality bariatric surgical services across the province, the Ministry of Health and Long-Term Care should:

- review trends of demand and capacity for bariatric surgery to identify gaps and needs, especially on a regional basis;
- consider providing the public with information on the average elapsed time between a physician's referral and completion of the required pre-surgery assessments; and
- periodically monitor surgical outcomes to determine whether hospitals offering this surgery need to go through an accreditation process as hospitals in the United States do.

MINISTRY RESPONSE

The Ontario Bariatric Network (OBN) reviews the trends of demand and capacity on a regular basis and provides updates and recommendations to the Ministry. In 2009/10, the Ministry established the Bariatric Registry to provide reliable data and to track both care-path timelines and performance measures, and will continue to refine the use of this data. In partnership with hospitals and the OBN, adjustments are made on a continuous basis, such as transferring patients between centres to reduce wait times, modifying referral zones and allocating additional resources, where appropriate, in order to increase surgical volumes.

Patients are advised of the referral process (including full wait-time information) and what they can expect during the information sessions that all patients are required to attend. The Ministry will consider options for advising the public on full wait times from the original date of referral. The Ministry currently publishes wait times for bariatric surgery through the Ontario Wait Times Information System. Between April 2012 and June 2012, the wait time for bariatric surgery once a surgeon had approved it was 85 days, which is well within the general surgery target of 182 days.

The Ministry will continue to regularly monitor surgical outcomes of this program, including reviewing quality benchmarks and monitoring improvement plans as required for any bariatric centre.

Chapter 3
Section
3.04

Ministry of the Environment

Drive Clean Program

Background

Smog is a form of air pollution that poses a serious health threat to Ontarians. According to the Ministry of the Environment (Ministry), approximately half of Ontario's smog comes from pollutants that originate in the United States and are transported here by winds. The other half, however, comes from domestic sources, including utilities (for example, power plants), industries (for example, metal smelters and petroleum refineries), on-road motor vehicles and other forms of transportation (for example, trains and aircraft). Vehicles also contribute to greenhouse gas emissions (such as carbon dioxide) and toxic contaminants (such as carbon monoxide and benzene), which also adversely affect air quality. For more than a decade, the Ministry has been implementing a number of initiatives aimed at helping to reduce smog. One of these initiatives has been the Drive Clean program.

Drive Clean, which was introduced in 1999, is Ontario's mandatory vehicle emissions inspection and maintenance program. The purpose of the program is to identify high-pollution-emitting vehicles with missing or malfunctioning emission controls and require the owners of such vehicles to have them repaired, with the ultimate goal of reducing on-road emissions. The program has two components—one for light-duty vehicles (passenger cars and sport utility vehicles) and one for heavy-duty vehicles (buses and trucks). The program currently tests vehicles once they are seven years old, or those older than one year if ownership is to be transferred. Light-duty vehicles that were built before 1988 are exempt from the program, but, otherwise, all vehicles must pass an emissions test for the owner to renew the registration or transfer ownership. When a vehicle passes its emissions test, the testing facility issues a uniquely numbered emissions test certificate, which the vehicle owner must take to a ServiceOntario kiosk or office (that is, a vehicle-licensing office) when applying to renew their licence plates or to transfer ownership.

As of December 2011, approximately 7.6 million light-duty vehicles and almost 300,000 heavy-duty vehicles were registered in Ontario. About 90% of these vehicles are registered in the geographic area covered by the program. Annually, more than 2.5 million light-duty vehicles and more than 100,000 heavy-duty vehicles are subject to the Drive Clean test.

More than 30 jurisdictions in North America have a vehicle inspection and maintenance program for emissions. In Canada, British Columbia has been testing light-duty vehicles since 1992, and recently announced that it will phase out that program by the end of 2014 and start testing heavy-duty diesel vehicles only. Quebec, on the other hand, introduced a bill in December 2011 to begin emissions testing for light-duty vehicles by the end of 2013.

Ontario's Drive Clean program operates under the authority of regulations made under the *Environmental Protection Act* and the *Highway Traffic Act*. The program is administered jointly by the Ministry of the Environment, the Ministry of Transportation and ServiceOntario, with the Ministry of the Environment being ultimately accountable for its performance.

The Ministry of the Environment's Drive Clean Office, with a staff of approximately 25 people, develops regulations, sets standards, establishes policies and procedures, and contracts with service providers to deliver various aspects of the program. Emissions tests and/or repairs are performed at more than 2,000 Drive Clean facilities, which are private auto shops accredited by the Ministry. All testing facilities are electronically linked to the Ministry's Drive Clean database, which maintains a record of all tests and any related repairs made.

The Ministry has contracted with a private-sector service provider to administer all operational Drive Clean program activities. This involves supplying and servicing emissions testing equipment, training inspectors and repair technicians, ensuring quality control practices at Drive Clean facilities, operating a call centre to provide technical support to Drive Clean facilities and handle public comments, and developing and operating an information system to support all of the program's functions, including linking to the Ministry of Transportation's licensing system.

Vehicle owners pay a fee to the Drive Clean facility that conducts their emissions test. A portion of this fee is remitted to the Ministry as revenue. In the 2011/12 fiscal year, the Ministry collected $30 million in test revenue and spent approximately $19 million to deliver the Drive Clean program, of which $12 million was paid to the private-sector service provider.

In 2012, the Ontario government commissioned a review on reforming public services in the province. The resulting report, commonly referred to as the Drummond Report, recommended that the government consider delivering the Drive Clean program via a "delegated administrative authority" model. A delegated administrative authority is a private, not-for-profit corporation that administers legislation on behalf of the government under an accountability and governance agreement. This entity would assume responsibility for all aspects of the program's day-to-day decision-making and service delivery that are now being handled by the Drive Clean Office and its private-sector service provider.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry has adequate systems and procedures in place to ensure compliance with legislation and regulations related to Drive Clean, and to determine and report on whether the program is effective in reducing vehicle emissions and thereby contributing to improved air quality. Senior Ministry management reviewed and agreed to our audit objective and associated audit criteria.

Our audit work was conducted primarily at the Ministry's Drive Clean Office and at the private-sector service provider. In conducting our audit, we interviewed appropriate ministry and service-provider staff, reviewed relevant documents, analyzed information and reviewed specific controls of new testing equipment that is slated for rollout in January 2013. In addition, we employed a number of computer-assisted audit techniques to analyze two sets of data: the results of emissions tests and the records on repair costs.

We met with the Canadian Vehicle Manufacturers' Association and the Environmental Commissioner of Ontario to obtain their perspectives on the Drive Clean program. To gain insight on how similar programs operate in other jurisdictions, we reviewed studies and reports on vehicle inspection and maintenance programs elsewhere in Canada and in the United States. Because the Ministry's internal audit service team had recently performed audits on Drive Clean revenue, we took its work into consideration in determining the scope and extent of our work in this area.

Summary

The Drive Clean program has implemented effective procedures to ensure that vehicles that should be tested are getting tested, and that vehicles whose emissions systems have deteriorated to the point where their emissions exceed the province's limits are being identified for repair. The Ministry has made some headway in refining the program's features—for example, increasing the age at which vehicles must begin emissions testing, extending testing to include vehicles that in 2012 were as old as 24 years, changing the vehicle emissions testing method to the on-board diagnostic testing method that is now used in all other North American jurisdictions with similar programs, and consolidating six alternative service delivery contracts into one at an expected annualized cost savings of 40%. The Ministry, together with the Ministry of Transportation, has also put in place procedures aimed at preventing the use of duplicate certificates, a fraudulent practice that was identified as a significant problem in our 2004 audit on air quality.

On-road vehicle emissions have declined so significantly from 1998 to 2010 that they are no longer among the major domestic contributors of smog in Ontario. However, ministry emissions estimates show that more than 75% of the reduction in vehicle emissions since the program's inception is actually due to factors other than the Drive Clean program, such as tighter manufacturing standards on emission-control technologies, federal requirements for cleaner fuels and ongoing retirement of old vehicles. For emissions not eliminated by these factors, the Ministry further estimated that, since 2007, the Drive Clean Program has been responsible for reducing smog-causing vehicle emissions by about 36% annually. Initiatives in other sectors (for example, changes in industrial processes) have also contributed to the reduction in smog-causing emissions.

It is therefore critical that, on a go-forward basis, policymakers have relevant and up-to-date information on the actual impact of the Drive Clean program in reducing smog compared to the impact of other smog-reducing initiatives.

There are a number of issues that we noted during our audit:

- The worst polluting vehicles either are exempt from emissions testing or will be tested using a less stringent method. The program's light-duty component does not require vehicles built before 1988 to be tested, even though they would likely have about a 30% failure rate. In addition, the on-board diagnostic (OBD) testing method that is slated to begin January 1, 2013, cannot be used to test vehicles built before 1998 because these vehicles were built without OBD systems. As a result, vehicles built from 1988 through 1997, which experienced a failure rate from 11% to 31% in 2010 when tested with a dynamometer, will be tested using the two-speed idle method only—a method that uses less stringent emissions limits than either the dynamometer or the OBD testing method.
- Since 2002, all gasoline-powered vehicles that meet the program's age criteria and that are located in the Windsor–Quebec City corridor are required to have emissions tests every two years. There are 10 large municipalities in this geographical area that account for about two-thirds of all vehicles in Ontario. These municipalities generally also have a higher than average number of smog days. However, the Ministry has never formally assessed whether there would be any significant impact on the environment if vehicles not located in these 10 municipalities were not required to be tested.

- Because vehicle owners are not required to incur any repair costs if the repair estimate exceeds $450, about 18,000 vehicles avoided being fully repaired in 2011. In fact, the average amount paid for repairs in 2011 by the owners of vehicles that were given a conditional pass was only $255. Furthermore, in 2010 the most commonly diagnosed cause of excessive emissions—problems with the catalytic converter—was actually repaired in only one-third of cases. Without full repairs, a vehicle's emission control system will continue to malfunction, and emissions will fluctuate. We noted that, for vehicles that had partial repairs done to their emission systems in 2011, the emission readings after the repair were actually worse for all pollutants in 25% of the vehicles and for at least one of the pollutants measured in 50% of the vehicles.
- To uncover unscrupulous practices at Drive Clean facilities, the Ministry has, until recently, been diligent in requiring its service provider to conduct upwards of 1,400 covert audits annually. In recent years, these and other audit efforts have been effective in identifying approximately 3,000 non-compliance issues annually. However, with the planned introduction of a new compliance program to coincide with the new OBD testing method in 2013, the Ministry reduced the number of covert audits in 2012 to a very small fraction of what the Ministry previously required the service provider to conduct. While a significant decrease may well be justified once the new compliance program is in place, we believe the Ministry should reconsider whether such a dramatic reduction is currently warranted, especially given that there is a deterrent effect when Drive Clean facility operators know that covert or "secret shopper" audits are being done.
- Although one of the program's key goals is maintaining a high degree of public acceptance, the Ministry has not established performance targets or attempted to measure whether or not this goal has been achieved in over a decade. The only survey undertaken to measure public support for the Drive Clean program was conducted 12 years ago.

OVERALL MINISTRY RESPONSE

The Ministry appreciates the Auditor General's observations and recommendations regarding the Drive Clean program and will continue to take actions to improve the program.

Poor air quality is a public health concern, particularly to children, the elderly and people who have respiratory challenges. Ontario protects air quality through its comprehensive approach, which includes a combination of regulations, compliance and enforcement activities, monitoring, and Drive Clean. The approach tackles emissions from the electricity sector, commercial and industrial facilities, vehicles, and cross-border sources. Our regulations and targeted programs and partnerships with other jurisdictions have all helped to reduce air pollutants. To put the Drive Clean program's mandate into context, on-road vehicles account for 27% of all emissions of nitrogen oxides in the province and 13% of all emissions of volatile organic compounds. Since 2007, the program has consistently reduced vehicle emissions that cause smog and poor air quality by approximately 36% a year.

The Ministry notes the Auditor General's observation that on-road emissions have been continuously declining. Still, parts of Ontario experience elevated smog levels. Since the beginning of the program, Drive Clean has reduced smog-causing pollutants by 335,000 tonnes; carbon monoxide by about 3.18 million tonnes; and carbon dioxide, a key greenhouse gas, by more than 296,000 tonnes. In 2003, when operating at their peak, coal-fired generating plants emitted over 58,000 tonnes of smog-causing pollutants. In 2010 alone, Drive Clean prevented 34,600 tonnes of smog-causing pollutants.

A review of the program's costs, benefits and effectiveness was an important driver in the Ministry's 2010 decision to modernize the Drive Clean program. The Ministry consolidated multiple service contracts into one contract to improve efficiency and effectiveness of delivery. The new vehicle emissions testing technology will allow problems to be sourced faster and more effectively. We anticipate further decreases in smog-causing pollutants with our new modernized program, and once the technology is implemented in 2013, we will continue to monitor the program's effectiveness.

The Ministry is taking action to address the concerns raised by the Auditor General. The new approach to testing vehicle emissions is used in similar programs across North America. It is expected to:

- provide better information to vehicle owners about needed repairs;
- reduce the number of conditional passes;
- ensure high-quality customer service thanks to online real-time quality control and assurance tools; and
- continue to improve Ontario's air quality by reducing emissions an additional 20%.

Detailed Audit Observations

PROGRAM EFFECTIVENESS

Overall Change in Ontario's Air Quality

Smog is a form of air pollution that is composed primarily of ground-level ozone and fine particulate matter. Ground-level ozone is created when nitrogen oxides (NOx) and volatile organic compounds (VOCs) react together in the presence of sunlight. Fine particulate matter (PM2.5) is microscopic solid particles and liquid droplets in the air.

Wind-blown pollution from the Midwestern United States was and remains the largest source of smog-causing pollutants found in Ontario. However, as Figure 1 shows, between 1998 and 2010, Ontario-based emissions from smog-causing pollutants (NOx, VOCs, and PM2.5) and carbon monoxide have decreased by about 30% to 40%. The Ministry's report on air quality for 2010 credited the decrease in emissions to a combination of federal and provincial air quality initiatives:

- the phase-out of coal-fired generating stations (between 2005 and 2014);
- emission trading regulations (effective 2001 for the electricity sector and 2005 for the industrial sector);
- emission controls at Ontario smelters (effective 2005);
- Drive Clean emissions testing (beginning 1999);

Figure 1: Changes in Province-wide Domestic Emissions and Contribution by Road Vehicles to Those Changes, 1998–2010

Source of data: Ministry of the Environment

Pollutant	Change in Emissions from Domestic Sources (%)	% of Total Domestic Emissions Contributed by Road Vehicles 1998	% of Total Domestic Emissions Contributed by Road Vehicles 2010	Source of Most Domestic Emissions (2010)
Nitrogen oxides	41 ↓	34	25	Non-road transportation
Volatile organic compounds	38 ↓	21	12	General solvent use
Particulate matter	39 ↓	4	3	Residential
Carbon monoxide	31 ↓	62	44	Road vehicles

- federal vehicle manufacturing standards for emissions (phased in from 2004 through 2010); and
- the federal requirement for lower sulphur content in transportation fuels (effective 2005 for gasoline fuel and effective 2006 for diesel fuel).

Just before the Drive Clean program started, vehicles were the number one domestic source of emissions for carbon monoxide and nitrogen oxides, and the number two domestic source of emissions for volatile organic compounds. As of 2010, vehicles were still the primary domestic source of carbon monoxide emissions but were no longer the primary source of domestic emissions for any of the smog-causing pollutants listed in Figure 1. For each year from 1998 through 2010, the vehicle sector experienced either the largest or the second-largest decrease in emissions for each of these pollutants, and total vehicle emissions decreased more than 50% in that time. Other sources—such as non-road transportation (which includes air, rail and marine transportation)—demonstrated the least reduction in smog-causing emissions, as shown in Figures 2 and 3.

We also looked at ambient air quality measures, which monitor the concentration of contaminants in the air for a select period of time. Unlike emission levels, ambient air quality measures provided mixed results. That is, for calendar years 2008 through 2010, Ontario did not exceed the Canada-wide standard for PM2.5, but did exceed the Canada-wide standard for ozone in each of those years, although ozone concentrations have been decreasing for some time.

When smog levels are (or are expected to become) elevated for several hours, the Ministry issues a smog advisory. The total hours spent under a smog advisory during a particular time period can be expressed as "smog days": every 24 hours under a smog advisory equals one smog day. We analyzed the number of smog days experienced province-wide each year since the Drive Clean program's inception and noted that smog days varied considerably from year to year but have been generally trending down.

Impact of the Drive Clean Program

To determine the effectiveness of the Drive Clean program, the Ministry has engaged an external consultant to calculate emissions reductions. Generally, emissions reductions are calculated based on the difference between a vehicle's actual emissions readings before and after repairs are conducted

Figure 2: Nitrogen Oxide Emissions, by Domestic Emission Source, 1998–2010 (Kilotonnes)

Source of data: Ministry of the Environment

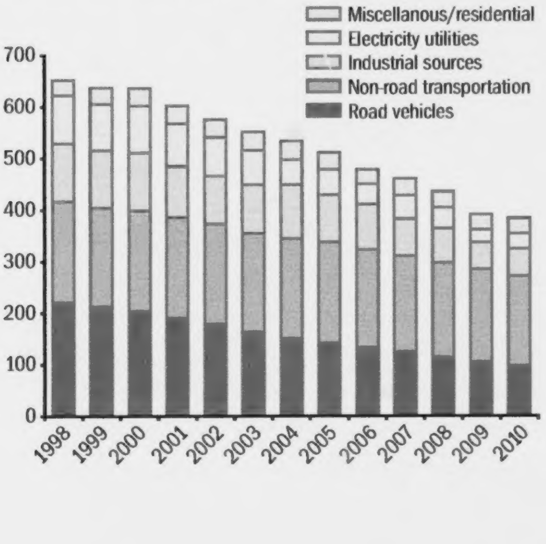
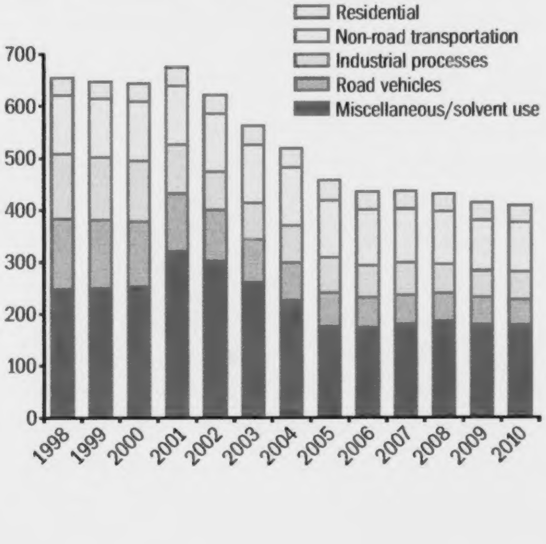


Figure 3: Volatile Organic Compound Emissions, by Domestic Emission Source, 1998–2010 (Kilotonnes)

Source of data: Ministry of the Environment



after the vehicle fails its initial Drive Clean test, factoring in the distance typically travelled by the repaired vehicle in the year. The total is then further extrapolated to account for vehicles that were not actually tested in a given year (because vehicles are tested only every two years) and to estimate kilometres travelled by vehicles tested for the first time (for which the system therefore contains no previous odometer reading).

We reviewed the consultant's 2010 Emissions Benefit Analysis reports for the three vehicle types covered by the program, and noted that the program is believed to have had the following impact on emissions:

- For heavy-duty diesel vehicles, particulate matter emissions (the only pollutant that can be measured using the available testing technology for such vehicles) have been reduced by an average of 250 tonnes each year throughout the program's existence.
- For heavy-duty non-diesel vehicles, the consultant concluded that the impact of the program was negligible because only a few such vehicles are on Ontario's roads.
- For light-duty vehicles, emissions were reduced by steadily increasing amounts from 1999 through 2007. Since then, although emissions have still been reduced annually, the amount by which they've been reduced has been declining, as shown in Figure 4. According to the consultant's estimates, the Drive Clean program has been responsible for reducing smog-causing vehicle emissions by about 36% a year since 2007. The consultant noted a similar trend for carbon monoxide emissions.

However, as Figure 5 indicates, the consultant estimated that had the Drive Clean program not existed, smog-causing emissions from light-duty vehicles would still have decreased by 54% from 1999 to 2010 because of other factors—such as the retirement of older vehicles, the introduction of vehicles with cleaner emissions control technologies, and fuel improvements. The vehicle repairs required as a result of the Drive Clean program were estimated to have reduced emissions by a further 16%, for a total reduction in emissions of 70%. In other words, more than 75% of the total emissions reductions for light-duty vehicles from 1999 to 2010 can be attributed to factors other than the Drive Clean program.

Figure 4: Reduction in Emissions of Smog-causing Pollutants (Nitrogen Oxide and Hydrocarbons) Attributable to the Drive Clean Program for Light-duty Vehicles, 1999–2010 (Tonnes)

Source of data: Ministry of the Environment

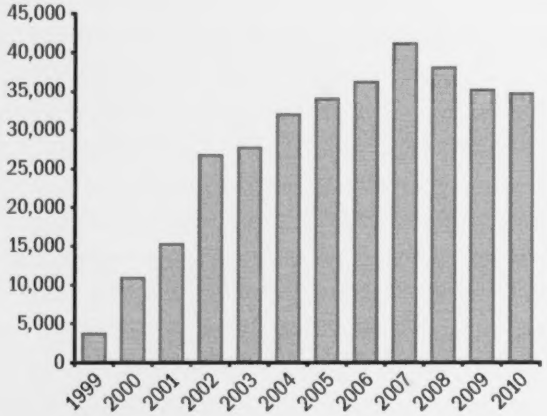
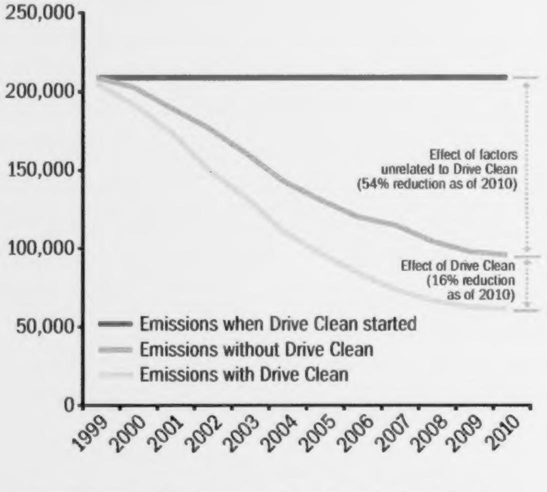


Figure 5: Vehicle Emissions of Smog-causing Pollutants (Nitrogen Oxide and Hydrocarbons) with and without the Drive Clean Program, 1999–2010 (Tonnes)

Source of data: Ministry of the Environment



The Ministry indicated to us that it believes the Drive Clean program has also led to changes in vehicle owners' behaviours that cannot be quantified: for example, vehicle owners make an increased effort to maintain their vehicles in order to be able to pass the Drive Clean test, and vehicle owners may decide to replace vehicles sooner than they otherwise might have if the program did not exist.

Given the declining impact of the program on air quality, we reviewed practices in other jurisdictions and noted that British Columbia announced in May 2012 that it will terminate its program for light-duty vehicles by the end of 2014, because it determined that vehicles were no longer one of the primary contributors of pollutants in that province. Five U.S. jurisdictions have also ended their programs, and one other has announced plans to do so in 2012, either because emissions have returned to acceptable levels or because other methods are expected to have a more significant impact on reducing air pollutants.

Emissions Test Results

Over the Drive Clean program's life, initial pass rates—that is, the rates at which vehicles of a particular type passed their emissions tests on the first try—have improved. As shown in Figure 6, initial pass rates are currently 90% or more for all vehicle types tested. For light-duty vehicles, the initial pass rate increased from 84% in 1999 to 95% in 2010, and has exceeded 90% every year since 2004. Heavy-duty non-diesel vehicles have shown the greatest improvement, with an initial pass rate that increased from 72% in 1999 to 90% in 2010. Heavy-duty diesel vehicles have continuously had the highest initial pass rates throughout the program's life. Since 2001, their initial pass rate has exceeded 95%.

Reporting Other Performance Achievements

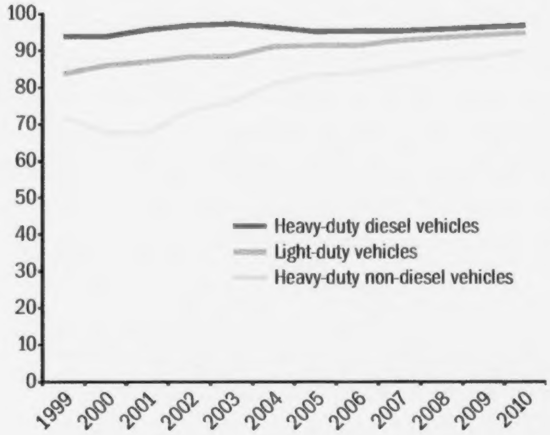
The Drive Clean program has four key goals:

- reducing vehicle-related emissions of smog-causing pollutants;
- attaining a high degree of public acceptance;
- achieving revenue neutrality over the program's lifespan, with full-cost recovery via test fees; and
- maintaining business integrity (that is, zero tolerance for fraud).

We found that the Ministry does not have quantifiable targets and measures for most of these goals. The Ministry has set a published target for only one performance measure—emission reductions. In Ontario's Anti-Smog Action Plan for 2000, the Ministry stated that by the fiscal year 2005/06, the Drive Clean program was expected to achieve a 22% reduction in vehicle emissions, for nitrogen oxides and volatile organic compounds (VOCs) combined. But the Ministry has not reported against this target either in its annual Air Quality Report or in the annual Emissions Benefit Analysis reports prepared by external consultants. In fact, the Emissions Benefits Analysis reports do not report reductions of VOCs but rather reductions of hydrocarbons, which are a component of VOCs. As previously noted, the reported cumulative emissions reduction of nitrogen oxides and hydrocarbons attributable to the Drive Clean program from its inception to the end of 2010 was 16%.

Figure 6: Initial Pass Rates for Light-duty Vehicles, Heavy-duty Non-diesel Vehicles and Heavy-duty Diesel Vehicles, 1999–2010 (%)

Source of data: Ministry of the Environment



We noted that the Ministry had also set internal targets that appeared to be easily attainable. To illustrate, the Ministry establishes an annual internal target for emissions reductions for non-diesel-powered vehicles. We were informed that this target was established by projection based on previous years' actual results, yet the new target was generally lower than the actual emissions reductions achieved in the previous year. For example, since emissions reductions from 2007 through 2009 declined by 8% annually, we expected the 2010 emissions reduction target to be about 32,000 tonnes, yet the Ministry set a 2010 target of only 28,500 tonnes.

With regard to the program's other goals, we found the following:

- Although the Ministry informed us that it had conducted a public survey in 2000 to measure the level of public acceptance for the program, no additional public surveys had been conducted in the ensuing 12 years.
- For the goal of business integrity, the Ministry discloses on its website a list of individuals and Drive Clean facilities convicted of fraud-related offences. It also discloses a list of Drive Clean facilities that have been terminated or suspended in the last three years. The Ministry could build on these good disclosure measures by reporting on the number or percentage of facilities that are in compliance with contract requirements and standard operating procedures.

Since 2005, the Ministry has been publishing reports on emissions reductions resulting from the Drive Clean program. However, we found that the Ministry did not report on a timely basis. For example, consultants' reports on Drive Clean emissions reductions for 2009 and 2010 were not publicly released on the ministry website until June 2012, and Ontario's latest Air Quality Report for 2010 was not publicly released until April 2012.

RECOMMENDATION 1

To ensure that policy-makers are provided with current and relevant information, the Ministry of the Environment should formally evaluate the extent to which the Drive Clean program continues to be an effective initiative in reducing smog relative to the cost and impact of any other initiatives for reducing smog and improving overall air quality. In addition, the Ministry should periodically evaluate its progress against all stated program goals and report the results of its assessments publicly on a timely basis.

MINISTRY RESPONSE

The Ministry agrees that it is critical for policy-makers to have the best decision-making information available.

As new data from the modernized program services and emission tests becomes available, the Ministry will continue to evaluate the progress and success of the Drive Clean program relative to its goals and other initiatives in Ontario.

VEHICLES SUBJECT TO TESTING

Vehicle Age

For both light-duty and heavy-duty vehicles, the Drive Clean program exempts from testing any vehicle built in the last seven years. Vehicles exempt from testing and other program details are shown in Figure 7. Over the program's life, the Ministry has several times increased the age at which vehicles must begin being tested: when the program started, that age was 3; in 2006, it was changed to age 5; and in September 2011, it was changed again, to age 7. In comparison, British Columbia also exempts vehicles built in the last seven years; Quebec plans to exempt vehicles built in the last eight years; and two U.S. jurisdictions, including California, exempt vehicles built in the last six years. In October 2012,

Figure 7: Drive Clean Program Details

Prepared by the Office of the Auditor General of Ontario

	Light-duty vehicles	Heavy-duty vehicles
Program Area	Southern Ontario from Windsor to Ottawa	Diesel: all of Ontario Non-diesel: Southern Ontario
Types of Vehicles Tested	Vehicles weighing 4,500 kg or less (e.g., passenger cars, vans, light trucks and sport utility vehicles), beginning with 1988 models that are registered in the program area	Vehicles weighing more than 4,500 kg (e.g., large trucks and buses) that are registered in the program area
Vehicles Exempt from Testing	Vehicles manufactured before 1988, hybrid vehicles, designated "historic" vehicles, light-duty commercial farm vehicles, kit cars and motorcycles	Vehicles that are designated as "historic" according to the *Highway Traffic Act*
Testing Frequency	• Every two years, beginning when vehicle is 7 years old, to renew registration. Odd model years are tested in even calendar years. • When transferring ownership of a used vehicle to someone other than a family member or the lessee, if the vehicle has not been tested in the previous 12 months.	• Every year, beginning when the vehicle is 7 years old, to renew registration. • Diesel vehicles may skip a year of testing if their opacity reading was 20% or less in their most recent test. • When transferring ownership of a used vehicle older than the current year, if the vehicle has not been tested in the previous 12 months.
Testing Methods	(Effective until December 31, 2012) • Accelerated Simulation Mode – for most vehicles. Testing is conducted on a dynamometer (i.e., vehicle treadmill) • Two-speed idle test – for vehicles that cannot be safely tested on a dynamometer • Visible smoke test – for diesel vehicles only (Effective January 1, 2013) • On-board diagnostic test – for post-1997 models • Two-speed idle test – for pre-1998 models • Visible smoke test – for diesel vehicles only	Diesel: Opacity smoke test Non-diesel: Two-speed idle test
Emissions Measured	Carbon monoxide, hydrocarbons, nitrogen oxide	Diesel: Particulate matter Non-diesel: Carbon monoxide and hydrocarbons
Possible Test Results	Pass / Conditional Pass / Fail	Pass / Fail
Conditional Passes	Allowed only where the purpose for testing is to renew vehicle registration, not for ownership transfer. Estimates and any actual repairs must be done by a certified repair technician at an accredited Drive Clean facility (DCF).	Not allowed. All vehicles must be repaired to the point where they pass an emissions test.
Repair Cost Limit	$450	None
Who Can Perform Repairs	Anyone and any auto shop, but only those repairs performed by a certified repair technician at a DCF are eligible for a conditional pass	Anyone
Program Infrastructure	Program is delivered through a decentralized network of test-only, test-and-repair, and repair-only DCF locations	Program is delivered through a decentralized network of test-only DCFs, some of which provide mobile testing for diesel vehicles
Cost of Test to Vehicle Owner	Up to $35 per test; re-tests cost $17.50, if done at the same DCF as the initial test	Market rate
Ministry Revenue	$11.67 of fee charged by DCF for a pass or conditional pass	$15 for each passed test

Ontario's Environmental Commissioner supported the new seven-year exemption limit in his latest annual report.

Any vehicle older than a year whose ownership is being transferred to a third party is required to undergo an emissions test, as a consumer protection feature for the prospective new owner.

As of December 2011, half of all light-duty vehicles registered in Ontario had been built in the last seven years. For those in this category that had an emissions test in 2010 (likely due to an ownership transfer), the initial failure rate was 1% or less, as shown in Figure 8. Since these newer vehicles were built to stricter manufacturing standards for emissions, it is reasonable to assume that with proper maintenance, they will operate more cleanly as they age compared to previous model years. That is, when a newer vehicle is 10 years old, it will emit lower levels of pollutants than an older vehicle did when it was 10 years old. In contrast, initial failure rates for vehicles built in 1997 or earlier ranged from 11% to 31% in 2010. The Ministry has not compiled pass/fail rates by model year for heavy-duty vehicles.

Prior to 2007, the program also exempted light-duty vehicles that were more than 20 years old. As of 2007, the program instead exempts vehicles built before 1988 (that is, at least 24 years old in 2012). This is because vehicles built before 1988 were not required by the federal government to have built-in emissions-reduction controls (that is, a catalytic converter, which converts toxic gases from a vehicle's exhaust system into less toxic substances). As a result, vehicles that are potentially among the worst polluters could legally be on the road. In comparison, about 80% of other North American jurisdictions, including British Columbia and California, require emissions testing for vehicles older than 24 years. As of December 2011, more than 100,000 pre-1988 vehicles were registered in Ontario. Because older vehicles have less stringent emissions limits than newer vehicles, an older vehicle that fails an emissions test will pollute more, per kilometre driven, than a newer vehicle that fails.

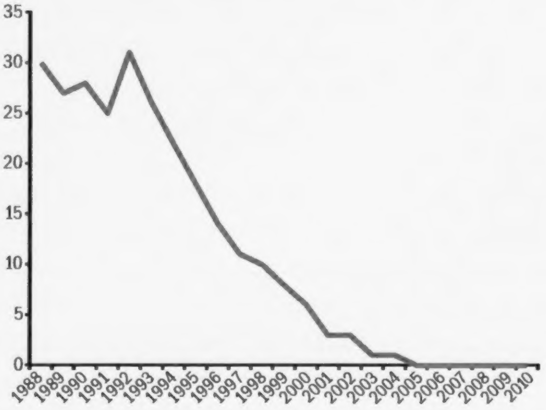


Figure 8: Initial Failure Rates by Model Year for Light-duty Vehicles Tested in 2010 (%)

Source of data: Ministry of the Environment

The Ministry noted that this situation is mitigated by the fact that, according to odometer data collected by the Ministry of Transportation when a vehicle is registered or re-registered, older vehicles are not driven as often or as far as newer vehicles. For example, in 2010, 2007 light-duty passenger vehicles were driven on average three times farther than 1987 light-duty passenger vehicles (17,000 km versus 5,000 km, respectively). However, we noted a similar phenomenon with heavy-duty diesel vehicles—that is, in 2010, 2007 heavy-duty diesel vehicles were driven on average six times farther than 1987 heavy-duty diesel vehicles (52,000 km versus 9,000 km, respectively)—yet the Ministry does not exempt pre-1988 heavy-duty diesel vehicles from emissions testing.

While the Ministry analyzed the impact of increasing the exemption age for new vehicles from five years to seven years and determined that the change will have little impact on total emissions, no analysis was done on the impact of excluding older vehicles from the program.

Geographical Area Covered by the Program

All heavy-duty diesel vehicles registered anywhere in Ontario that meet the age criteria (specified in the previous section) are required to be tested under the Drive Clean program. In contrast, only those light-duty vehicles and heavy-duty non-diesel vehicles registered in a defined geographical area called the "program area" are subject to testing, assuming they also meet the age criteria. The program area can generally be considered to be the Windsor–Quebec City corridor. This corridor was selected as the program area because it had been identified in the 1990s by the Canadian Council of Ministers of the Environment as one of three problem areas in Canada that experienced higher-than-acceptable levels of smog. About 90% of the province's passenger vehicles are located in this part of the province.

The program area for light-duty vehicles and heavy-duty non-diesel vehicles has not been reviewed since 2002, when it was last expanded. Although the current program area contains more than 30 municipalities, 10 municipalities, or about one-third, account for two-thirds of the province's passenger vehicles and population. In addition to having the highest vehicle density, all but one of these municipalities also experienced more smog days than the provincial average every year from 2005 through 2010. The Ministry has never formally assessed whether excluding those vehicles not located in these 10 municipalities from the required biennial testing could be done with little or no adverse effect on the environment.

Farm Vehicles

According to O. Regulation 628 of the *Highway Traffic Act*, vehicles registered to farmers are exempt from the Drive Clean program. The Ministry informed us that this exemption was put in place to ease the economic burden of emissions testing and the required repairs on farmers. However, we noted that when these vehicles are registered or re-registered, no verification is required to ensure that their vehicle owner is indeed a farmer. In essence, applicants merely have to tick a box on a form identifying themselves as such. We noted that from 1998 to 2010, the number of farm vehicles registered with the Ministry of Transportation increased by 90%, while in the decade ending in 2006, the number of farmers and the number of farms decreased by 15%. The Ministry informed us that it had discussed the issue of the rise in number of registered farm vehicles with the Ministry of Transportation at the fraud prevention working group in November 2009, but no corrective action had been taken by the time we completed our audit fieldwork.

RECOMMENDATION 2

To help assess the appropriateness of vehicles exempted from testing and the geographical area covered by the Drive Clean program, the Ministry of the Environment should:

- review initial pass/fail rates and evaluate estimated vehicle emissions by model year;
- formally analyze the impact of excluding all light-duty vehicles except those in the 10 larger municipalities in the Windsor–Quebec City corridor; and
- work with the Ministry of Transportation on a strategy for verifying the legitimacy of farmers' vehicle registrations.

MINISTRY RESPONSE

The Ministry agrees that reviewing pass/fail rates and emissions by model year is important. The Ministry will continue to collect emissions test data to ensure a sufficient data set is assembled to conduct accurate analysis and will also continue to monitor the appropriateness of the geographical area covered by the program. In addition, the Ministry will work with the Ministry of Transportation to evaluate its policies for registering farm vehicles.

CONDITIONAL PASS

In principle, the Drive Clean program requires vehicles that fail the emissions test to undergo repairs so that emissions are once again below the ministry-prescribed limit. But to alleviate some of the financial burden on vehicle owners, the Ministry has implemented a $450 repair cost limit. That is, vehicle owners are allowed to defer emission system repairs entirely or partly. If a single repair is required that would cost more than $450, that repair need not be done. If multiple repairs are required that together total more than $450, only repairs that fall within the $450 limit need to be done. Many other North American jurisdictions have a similar feature in their vehicle emissions inspection and maintenance programs. Owners who choose to defer repairs costing $450 or more are given a conditional pass, which allows them to renew their vehicle registration but not to transfer ownership. The vehicle can then be driven for two more years without the required repairs—in other words, until the next required emissions test, when they can again get a conditional pass assuming the repair estimate has not changed.

More emissions reduction benefits could be achieved by eliminating or raising the repair cost limit, so that all required repairs would be performed. To that end, the Ministry raised the repair cost limit from $200 in 1999 to $450 in 2001 for part of the geographical area covered by the program, and in 2004, the $450 limit was extended to the entire area. In order to receive a conditional pass, the vehicle owner must have a ministry-accredited Drive Clean facility determine what repairs need to be made, and have obtained a repair estimate exceeding $450.

In 2011, conditional passes were issued to 18,000 vehicles. We noted the following with respect to conditional passes under the present system:

- We found that 7% of the vehicles that received a conditional pass in 2011 had no repairs done to their emissions control systems before being issued the conditional pass. For vehicle owners in that year who got a conditional pass but did have partial repairs done, the average repair cost was only $255.
- Under the existing system, there is a risk that technicians could inflate actual or estimated repair costs in order to fraudulently obtain conditional passes for their customers without being detected. This problem will be mitigated starting in 2013, when the program adopts a new testing method. Under the existing testing method, repair technicians determine what repairs are needed by a failed vehicle, whereas under the new test method, the vehicle's on-board computer system will specify the problem. As well, the Ministry plans to have the service provider monitor the estimated and actual repair costs entered by the technician against a standard industry price list; this approach will enable it to flag unreasonable repair costs on a real-time basis.
- In order to assess whether partial repairs are of any benefit to the province's air quality, we compared the emission readings before and after partial repairs were done on vehicles that were issued with conditional passes in 2011. We noted that for 50% of these vehicles, emission readings for at least one of the pollutants measured got worse after the repairs, to the point where they exceeded emission limits. For 25% of vehicles, emission readings got worse for all pollutants measured.
- The appropriateness of the repair cost limit has been in question since 2005, when an external consultant recommended increasing it to $600. The consultant also noted that the current $450 cap represents the same amount recommended in 1992 by the U.S. Environmental Protection Agency to vehicle inspection and maintenance programs operating at that time in the United States. In our review of practices in other jurisdictions, we found that almost half of North American jurisdictions either have no repair cost limits or have a higher repair cost limit than Ontario's. For example, British Columbia sets different limits based on the vehicle's age, starting from $500 to unlimited. We also noted that from 2006 through 2010, the percentage of vehicles that pass a retest after any repairs

had been made dropped steadily each year, while the percentage of vehicles that received a conditional pass increased steadily. In 2010, 56% of vehicles passed a retest (down 10% from 2006), and 39% received a conditional pass (up 13% from 2006). This pattern could indicate either that any repairs that were done are increasingly not effective or that the $450 repair cost limit is too low. In addition, in the Emissions Benefit Analysis report for 2010, the consultant noted that the most commonly recommended repair involved servicing the catalytic converter, which was repaired or replaced in only one-third of cases. The consultant speculated that this could be because the maximum $450 repair cost limit was too low to cover this type of repair.

- Ontario requires vehicles that receive a conditional pass to be retested only every two years—in other words, on the same schedule as for vehicles that earn a regular pass. In comparison, 13 other North American jurisdictions require any vehicle that receives a conditional pass to be retested annually until the problem has been fixed. In 2005, the Ministry's external consultants recommended annual testing for vehicles that failed their initial emissions test, but this recommendation was never implemented.
- Ontario allows an unlimited number of conditional passes to be issued for any particular vehicle. In comparison, five other North American jurisdictions allow only one conditional pass to be issued during a vehicle's lifetime. The Ministry informed us that unlimited conditional passes are necessary to lessen the financial burden for those who cannot afford to fully repair or replace a grossly polluting vehicle.

RECOMMENDATION 3

To help ensure that polluting vehicles are repaired once emission problems are identified, the Ministry of the Environment should consider:

- increasing or eliminating the repair cost limit;
- requiring vehicles that receive a conditional pass to be retested annually rather than biennially; and
- limiting the number of conditional passes allowed over a vehicle's lifetime.

MINISTRY RESPONSE

Less than 1% of all vehicles tested in the program use the repair cost limit. Starting in January 2013, the new program will better identify emissions problems and prioritize the repairs needed, making more effective use of the $450 limit.

The Ministry scans other jurisdictions and reviews its practices regularly. Once the new program is in place, we will continue to conduct jurisdictional reviews, which will include reviewing repair costs and conditional passes, to support our analysis and evaluation of the program.

EMISSIONS TEST METHODS

The methods used to test emissions depend primarily on the type of vehicle and how it is powered:

- Light-duty gasoline-powered vehicles, which are by far the majority of the vehicles in the province, are tested on a dynamometer—a kind of treadmill that simulates actual driving conditions. The Drive Clean facility's technician inserts a probe into the vehicle's tailpipe; the probe, which is connected to a computer, measures the concentrations of various gases in the tailpipe's emissions.
- Heavy-duty non-diesel vehicles, and certain light-duty vehicles that cannot be tested on a dynamometer for safety reasons, are tested by the two-speed idle method. This testing method measures fewer gases, and also has less stringent emissions limits than the dynamometer test.

- Heavy-duty diesel vehicles are tested using the opacity test method, where smoke density is measured by a smoke sensor.
- Light-duty diesel vehicles are inspected visually for emissions.

Starting on January 1, 2013, Ontario will adopt a new on-board diagnostic (OBD) testing method for light-duty vehicles manufactured after 1997. All light-duty vehicles manufactured after 1997 have a built-in OBD system that continuously checks the condition and operation of key emissions control components and emissions-related systems in the vehicle. If the built-in system finds an emissions-related problem, it illuminates the "check engine" light on the vehicle's dashboard and stores one or more "diagnostic trouble codes" in the vehicle's computer. Thus, any vehicle with an illuminated "check engine" light may have an emissions problem, and the specific diagnostic trouble code(s) help to identify this as well as the cause or causes of the problem. Once the vehicle is connected to the new testing equipment it will retrieve the problems and produce a "fail" result. All other North American jurisdictions with vehicle inspection and maintenance programs have been using this testing method for a number of years.

The OBD testing method will require the Drive Clean facilities to use new testing equipment. The test certificate issued to vehicle owners will also have a different format. This certificate, unlike the ones currently being given out, will not include emission limits and actual emissions levels. Instead, it will show whether the "check engine" light is illuminated and which vehicle diagnostic trouble code or codes were detected.

The emission limits set in the vehicle's OBD component are more stringent than those in the dynamometer. The Ministry informed us that OBD testing could cause a vehicle to fail when emissions exceed 1.5 times the federal limit, whereas a dynamometer will not cause a vehicle to fail until emissions are much higher—an estimated five to eight times the federal limit. As a result, the Ministry expects initial failure rates to double from 5% to 10% in 2013, which in its view brings Ontario in line with other jurisdictions. In other words, the Drive Clean program could fail up to 270,000 light-duty vehicles in 2013, compared with the 135,000 that failed in 2010. When British Columbia adopted OBD testing, its initial failure rate went from about 12% to about 15%.

However, older vehicles, which typically are the worst polluters, cannot be tested by the new testing method, because light-duty vehicles manufactured in Canada before 1998 were not equipped with OBD technology. In December 2011, almost 600,000 vehicles (8%) registered in the geographic area covered by the program were built between 1988 and 1997. The Ministry plans to have these vehicles, which are now being tested on a dynamometer (equipment that will be phased out when the OBD equipment is installed), tested by the two-speed idle method. Since the two-speed idle test method has less stringent emission limits than the old dynamometer test, the initial pass rate for these older vehicles will likely improve, even though there will be no real improvement in emission performance—and fewer of these older vehicles that require repairs will be identified. We researched the testing methods used in other North American jurisdictions for vehicles that are not equipped with an OBD system, and noted that more than half of these jurisdictions use a testing method that is more stringent than the two-speed idle method Ontario plans to use. The Ministry informed us that since all emissions testing equipment requires regular maintenance, it will not require Drive Clean facilities to maintain both a dynamometer and OBD testing equipment. Consequently, older vehicles—which currently have both lower initial pass rates and less stringent limits—will be held to even less stringent limits, whereas newer vehicles—which currently have both high initial pass rates and more stringent emission limits—will be held to even stricter emission limits.

Implementation of On-board Diagnostic Test Method

External consultants first recommended OBD testing to the Ministry in the program's operational review in 2005 and again in 2007. One of these consultants noted that the costs of the dynamometer test method will outweigh its emission benefits by 2015. It further noted that the OBD test method would yield greater emission reductions from all vehicles combined than the dynamometer test method. OBD testing has been used in British Columbia since 2007 and was in place in all U.S. jurisdictions with vehicle inspection and maintenance programs by 2006. The improved testing method is being implemented eight years after the first operational review that recommended this switch and six or seven years behind all other North American jurisdictions that have a vehicle inspection and maintenance program. The Ministry estimates that by 2015, 96% of the vehicles on Ontario's roads will be equipped with OBD technology.

One benefit of being the last jurisdiction to adopt OBD testing is that the Ministry has been able to research the lessons learned in other jurisdictions that have already adopted the technology, particularly with regard to detecting possible fraud by testing facilities. To this end, we noted that the Ministry considered other jurisdictions' experience in using devices (such as video cameras) and triggers (predetermined indicators of suspicious activity that set off warnings within the information system) to monitor program compliance by test and repair facilities.

New Emissions Testing Equipment

We requested that certain tests be performed on one of the new testing units that will be rolled out to all testing facilities in January 2013, and noted the following problems:

- The new testing equipment has a camera that allows the Drive Clean facility to take photographs of the vehicle identification number, licence plate and odometer so that this information can be stored in the system, allowing compliance staff at the private-sector service provider to verify later on that the vehicle being tested was in fact the one subject to the test. We noted that uploading photographs via a dial-up Internet connection (one of four possible ways to connect the testing equipment to the program's information system—and probably the only way available to testing facilities in certain remote areas) would abort the test and crash the testing equipment.
- During an emissions test, the Drive Clean facility can manually change the record for the engine type of a vehicle from non-diesel to diesel, thus allowing the vehicle to undergo a simple visual test rather than the more stringent OBD test.
- The new testing equipment accepts unreasonable odometer readings, which in turn will affect the accuracy of the emission benefit calculated. For example, we observed that the equipment accepted an odometer reading that was lower than that entered in a previous test, and nevertheless generated a "pass" emissions report.

RECOMMENDATION 4

To optimize the benefits of the new on-board diagnostic testing technology, the Ministry of the Environment should ensure that appropriate technical testing is completed and problems are resolved before rolling it out to all Drive Clean testing facilities in January 2013. The Ministry should also monitor the potential impact of using the less reliable two-speed idle method for testing vehicles older than model-year 1998 once the new on-board testing technology has been introduced.

MINISTRY RESPONSE

The Ministry agrees that appropriate technical testing is important. In the last year, the Ministry instituted a formal defect-management process to ensure that technical testing and corrections on the new test equipment are completed. As well, the Ministry initiated field testing earlier this year in 30 facilities. Issues identified at the pilot sites were resolved.

All of the issues identified in the Auditor's report regarding uploading photos, manual changes to the engine type and odometer readings will be resolved prior to the program rollout in January 2013.

We note the Auditor General's comments that vehicles built from 1988 to 1997 can only be tested using a tailpipe test. The Ministry has determined that the two-speed idle tailpipe test is a cost-effective solution for an ever-decreasing proportion of older vehicles (that is, an estimated 8% of all light-duty vehicles in 2013). It is worth noting that maintaining the current dynamometer equipment would be cost-prohibitive for many Drive Clean facilities.

MONITORING PROGRAM DELIVERY

Compliance of Drive Clean Facilities

Fraudulent test results have negative impacts on both the environment and vehicle owners: a fraudulent pass will permit a high-polluting vehicle to remain on the road, and a fraudulent fail will cost the vehicle owner for unnecessary repairs. As of December 2011, Ontario had almost 1,500 testing and repair facilities for light-duty vehicles and more than 500 testing and repair facilities for heavy-duty vehicles.

The Ministry outsources the monitoring of Drive Clean facilities for non-compliant or fraudulent activities to the private-sector service provider. The service provider uses a number of compliance techniques to monitor facilities' compliance with contract requirements and standard operating procedures. Generally, the service provider analyzes data captured in the Drive Clean information system to detect occurrences of predetermined indicators of suspicious activity (called triggers), so that it can target those facilities that are most likely to be participating in non-compliant or fraudulent activities. Facilities that set off these triggers are then audited using one of the following approaches:

- telephone audits—unconcealed audits where the service provider's compliance staff call the facility to obtain certain documents for review;
- overt audits—annual unconcealed audits where compliance staff check various administrative matters, such as whether the facility is using appropriate testing equipment; and
- covert audits—ad hoc, undercover "secret shopper" audits where compliance staff pose as customers to try to uncover fraudulent test practices.

Audits are designed to uncover cases of non-compliance, such as charging test fees that are higher than allowable, falsifying test results, and testing vehicles using a more lenient testing method than the required method. We noted that covert audits can identify some of the most serious program offences and generally detect more cases of non-compliance than any other type of audit. In each of the last three years, covert audits have discovered non-compliance in about 60% of the audits conducted, compared to about 40% with other types of audits.

However, the use of covert audits has dramatically diminished. The latest contract required the service provider to perform 1,400 covert audits annually at Drive Clean facilities that test light-duty vehicles until June 2011, none between July and December 2011, and, going forward from 2012, a very small fraction of the initial requirement of 1,400. No covert audits are required for facilities that test heavy-duty vehicles. In its 2009 Treasury Board submission requesting approval to consolidate all outsourced program services, the Ministry indicated that the number of covert audits was expected to be at most 50% of what was done prior to July 2011.

To compensate for the reduction of covert audits, the Ministry plans to implement a real-time monitoring function in its Drive Clean information system starting in 2013, to coincide with the new OBD testing method. This means that when triggers for certain suspicious activities are set off, the information system will immediately lock out the testing equipment, and compliance staff will have a face-to-face conversation with Drive Clean facility staff using a video camera attached to the testing equipment. According to the Ministry, Ontario may be the first North American jurisdiction to employ this kind of cost-effective compliance technique.

Triggers are primarily designed to ensure that the vehicle tested is the one subject to the test and to allow compliance staff to monitor patterns that suggest inappropriate testing and repair practices. We noted that although the number of triggers will increase in 2013 from about 30 to 50, only 1 in 4 of these triggers will be monitored on a real-time basis; the rest will be recorded in the information system, and compliance staff will follow up on them at a later date. Because these triggers were not operational at the time of our audit, we could not assess whether they will be as effective as covert audits done in the past.

Consequences of Non-compliance

The private-sector service provider brings cases of non-compliance to the Ministry's attention on a weekly basis, so that the Ministry can determine the appropriate penalty depending on the type and frequency of the offence. For calendar years 2009 and 2010, the service provider's audit activities identified about 3,000 cases of non-compliance annually, and the Ministry took remedial action in about 15% of these cases. The Ministry explained that it imposes penalties only on non-compliance cases found through covert audits, and that it imposed penalties in half of those cases. For non-compliance identified through other types of audits, the Ministry stated that it expects that the appropriate remedial action will be taken by the service provider, since those cases are usually minor in nature. However, the Ministry did not track remedial action imposed by the service provider. The various types of remedial actions, in order of severity, as well as the frequency with which each type of action was taken by the Ministry in 2009 and 2010, were as follows:

- phone call (11%);
- note to file (27%);
- warning letter (47%);
- suspension (11%); and
- termination (4%).

Because the service provider conducted far fewer covert audits in 2011 than in previous years, the number of remedial actions applied in 2011 was about 60% lower than the average number of actions taken in 2009 and 2010.

We noted that the Ministry does prosecute serious offences. Between 2009 and 2011, the Ministry convicted 29 individuals and seven Drive Clean facilities for offences relating to Drive Clean fraud, and collected fines totalling $446,000.

Ministry staff informed us that they typically apply more lenient penalties than those recommended in the remedy schedule in the Ministry's procedural manual. For example, when a Drive Clean facility is caught overcharging vehicle owners for Drive Clean tests, Ministry policy requires that the facility be suspended for a first offence and terminated for a repeat offence, but we noted that between January 2005 and February 2012, only one in every 34 facilities found to be overcharging were in fact suspended or terminated. We analyzed the nature of the overcharges, and while many cases of non-compliance related to misapplying sales tax on the test fees, a few facilities—some of which were repeat offenders—had more questionable overcharges or engaged in inappropriate fee collection practices but were not suspended or terminated. We could not assess the appropriateness of penalties for more serious non-compliance items, such as falsifying test results or testing vehicles using an inappropriately lenient testing method, because the Ministry does not possess complete data for all non-compliance items identified and the resulting penalties applied. We also found almost

40 cases of non-compliance (where, for example, facilities were caught selling vehicle owners unnecessary services or repairs, or testing vehicles using an inappropriate test method) for which no penalty had yet been applied even after one to two years had passed.

Our analysis of audit results showed that the compliance rate remained the same between 2009 and 2011, which could indicate that the penalties applied in previous years may not be having the desired deterrent effect.

Duplicate Test Certificates

In our 2004 audit of the Ministry's Air Quality Program, we identified 3,200 uniquely numbered test certificates that had been presented at Ministry of Transportation (MTO) offices (now ServiceOntario) more than five times each. In 2006, the Ministry introduced a security code on all certificates designed to prevent fraudulent certificate use. Unless both the test certificate number and a valid security code match the vehicle identification number, ServiceOntario staff will not accept the pass test certificate for renewing the vehicle's registration. While technical issues do arise from time to time, they are infrequent, and we concluded that the Ministry has taken appropriate steps to address the concerns we raised in 2004.

RECOMMENDATION 5

To maintain the integrity of the Drive Clean program, the Ministry of the Environment should:

- use compliance rates to periodically evaluate the appropriateness of the mix of audit compliance tools, especially given the planned substantial decrease in covert audit activities; and
- maintain complete data for all non-compliance items identified and their related penalties, and ensure that the penalties applied are appropriate, consistent and timely.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

The modernized Drive Clean program includes the transformation of the current reactive audit approach to a proactive real-time, risk-based audit process. Through the use of state-of-the-art, web-based technology, Drive Clean auditors will be able to identify potential non-compliance issues and speak directly with Drive Clean technicians, review test information, and provide guidance as tests and repairs are being conducted. Should a potential non-compliant event be detected, the auditor will interrupt the test and promptly address the issue. The Ministry will continue to use a variety of enforcement activities, including education and outreach, suspensions, and revocations of operating certifications.

Our new audit process, which includes a suite of audit tools, will begin in January 2013. The Ministry will continue to monitor the process and collect compliance data to determine the appropriateness, consistency and effectiveness of both its compliance tools and penalties.

CONTRACT MANAGEMENT

Procurement of Service Provider

Before June 2011, the Ministry had six contracts with three different service providers to deliver six distinct program services: ensuring quality control at Drive Clean facilities for the light-duty and the heavy-duty vehicle program components, training vehicle inspectors and repair technicians, operating a call centre to provide technical support to Drive Clean facilities and handle public comments, printing and distributing program materials to Drive Clean facilities, and developing and operating an information system to support all program functions, including linking to the Ministry of Transportation's licensing system.

In 2011, after a competitive procurement process, the Ministry began outsourcing all program services to a single service provider—the one that had been providing four of the six services since the program's inception. Under the current contract, this service provider will also supply and service the new OBD emissions testing equipment. The contract, which expires in June 2018, includes an option to renew annually for up to three additional years. Consolidating all program services under one contract with a single service provider was recommended by an external consultant in 2007. The Ministry's decision to do so was supported by Treasury Board in November 2009, and this practice is consistent with that in several other jurisdictions with similar programs.

The Ministry hired a fairness commissioner to oversee and evaluate the procurement process for the new contract. He concluded that "appropriate procurement practice was used throughout" the process. Perhaps most importantly, the new contract's expected annualized price will be 40% lower than the sum of what the previous six contracts cost each year. According to the contract, the service provider can receive up to $62 million from the province over the contract term, or cancel on six months' notice, and will also receive amounts directly from facility operators for training their inspectors and repair technicians, facility accreditation, and supply and maintenance of the new OBD testing equipment. In this regard, the Ministry awarded the service provider the exclusive right to subcontract the design, building and testing of the new testing equipment, and to be that equipment's sole supplier to Drive Clean facilities. Based on information available at the time of our audit, the service provider plans to sell the testing equipment to facilities for up to $20,000 plus up to $350 per month for maintenance. The Ministry indicated that, to assess the reasonableness of the purchase price and maintenance costs that facility operators will have to pay, it had compared these prices to those offered by a supplier in another jurisdiction, and found that the costs were generally comparable over the expected life of the program. However, we found that the Ministry compared Ontario pricing with that in only one other jurisdiction, which coincidentally uses the same service provider as Ontario.

Monitoring Service Provider Activity

The private-sector service provider must meet certain service levels in order to receive full contract payment. The agreement indicates that if the service provider fails to meet deliverables by the required dates, the Ministry can withhold specified amounts from subsequent payments to the service provider as a penalty. In negotiating the contract with the new service provider, we felt the Ministry demonstrated good foresight by including more than 70 deliverables in various schedules, many of which were aimed at ensuring a successful transition to the new testing method and related processes by January 1, 2013.

We assessed about 50 of the most significant deliverables to ensure that the Ministry was monitoring them and found that almost 80% of the deliverables deadlines were met. For the remaining 20%, the deadlines were extended or there was a lack of documented evidence that the service was ultimately provided. For the sample of deliverables we tested, penalties were generally applied when deliverables were late, unless their delivery dates were extended, in which case no penalty was applied. At the time of our audit, we could not assess how ready the Ministry will be to roll out the new testing method and related processes by January 1, 2013.

We also noted that the Ministry sometimes relies on the service provider's claim that it has met certain requirements but does not verify the reported information. For example, service provider staff is required to be up to date on the program, but the Ministry does not review the results of tests designed to verify that the service provider's employees have maintained current program knowledge. In another example, the Ministry does not review summary reports of call centre data to verify the service provider's claim that calls were answered within the prescribed time. In both of these cases, the Ministry has made payments to the service provider in full without checking whether the service provider had indeed met the service requirements.

Complaints

Complaints are received and resolved by the call centre that is operated by the private-sector service provider. The call centre receives on average 100 complaint calls per month from the public. In a typical month, more than half of all callers report a smoking vehicle, 30% express dissatisfaction with a Drive Clean facility (for example, because of repair misconduct or because their vehicle failed its emissions test at one testing facility but passed at another), and 12% voice general complaints about the program (regarding, for example, the cost of the emissions test or the required frequency of testing). We were informed that Drive Clean facilities that are the subject of complaints are considered for audit by the service provider.

Under the terms of the agreement, the Ministry can withhold payments to the service provider if call handling quality is substandard—that is, if the call centre does not provide accurate, complete and current program information to callers 95% of the time. To assess service quality, the Ministry must review a specified minimum number of calls each month. However, we found no documented evidence that the Ministry had monitored the required number of calls. Without such oversight, the Ministry can't reliably assess performance and withhold payment when warranted.

We also noted that between July 2011 and February 2012, almost 160 calls were logged as unresolved. The Ministry advised us that these callers' complaints were indeed resolved, but because call centre staff were unfamiliar with the call system, the handling of the calls had been erroneously recorded as unresolved.

RECOMMENDATION 6

To help ensure that the private-sector service provider meets contractual obligations in delivering the Drive Clean program, the Ministry of the Environment should adequately monitor the delivery of all services, including periodically verifying reported service levels achieved.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

In order to monitor the service provider's performance, the Ministry, along with the service provider, is developing a Service Level Tracking application to continuously monitor all service levels and apply penalties as appropriate. If service-level standards are not met, the service provider must pay a monetary penalty.

The Ministry has also instituted a business process to ensure that all calls received by the Drive Clean Office are reviewed, followed up and closed.

PROGRAM REVENUE

Fee Collection

Owners of light-duty vehicles pay $35 for an initial test and $17.50 for a retest after any repairs have been made, while owners of heavy-duty vehicles pay market rates for the test. The Ministry is entitled to receive $11.67 for light-duty vehicles and $15 for heavy-duty vehicles, but only if the vehicle receives a pass or conditional pass. (The government receives no revenue from failed tests or retests, because it does not want to collect multiple test fees from vehicle owners. Vehicle owners still have to pay the test fee imposed by the testing facility.)

At the time of our audit, Drive Clean facilities were forwarding the Ministry's portion of test revenue to the service provider, who in turn submitted all revenues received to the province. Starting in

January 2013, the facilities will directly remit test revenues to the government without the involvement of the service provider.

To ensure that the Ministry receives all test revenues owing to it, each month the Ministry reconciles payments received from the service provider with the number of pass or conditional pass results indicated by the Drive Clean information system.

However, due to instances of data corruption and system communications errors, the information system may not contain all test results. Therefore, to identify omissions in the system, the Ministry runs a monthly exception report that reconciles Drive Clean test certificate numbers processed by ServiceOntario using the Ministry of Transportation licensing system with those recorded in the Drive Clean information system, and any extra tests are validated and added to the system. This is an effective detective control process, and we noted that in 2011, this process detected about 340 tests that were registered at ServiceOntario but not initially recorded in the Drive Clean information system.

Revenue Neutrality

Test revenues collected by the Drive Clean program are considered a user fee, not a tax. However, according to a 1998 Supreme Court of Canada decision, user fees must have a reasonable relationship to the cost of the services provided. In other words, a user fee cannot exceed the cost to the government of providing the service. Otherwise, a court could determine that the amount of the excess fee is really an unlawful tax and therefore repayable. The Ministry of Finance's 2006 Costing and Pricing Policy indicates that where fees or other charges are collected for services offered to the public, pricing should be based on consideration of the full costs of delivering the service.

One of the Drive Clean program's goals is to achieve revenue neutrality over the program's life. By the end of the 2010/11 fiscal year the present value of cumulative revenues collected and expenses incurred since 1999 had reached the break-even point. However, revenues are now exceeding program expenses. In December 2011, the Ministry determined that (based on a net present value calculation) the program is expected to realize an accumulated surplus of $11 million by the end of the 2011/12 fiscal year and $50 million by the time the current consolidated contract with the service provider ends in 2018. At the time of our audit, the Ministry informed us that it had received advice and was considering options for becoming compliant with both the 2006 Costing and Pricing Policy and the 1998 Supreme Court of Canada decision.

OTHER MATTER

Vehicle Retirement Program

The Ministry provides in-kind contributions (through promoting the program to increase public awareness of its existence) to a national vehicle scrappage program under which a vehicle owner who donates an older vehicle that meets certain conditions is given a charitable donation receipt of at least $100. Other jurisdictions have similar programs, but with more generous incentives. For instance, California's car scrappage program offers a minimum of $1,000, and up to $1,500 for low-income earners, for unwanted vehicles that meet certain eligibility guidelines.

Chapter 3

Section

3.05 Education of Aboriginal Students

Ministry of Education

Background

According to the most recent Statistics Canada census data (2006), there are 242,000 Aboriginal people living in Ontario, primarily comprising three distinct groups: First Nation (158,000), Métis (74,000) and Inuit (2,000). The remaining 8,000 Aboriginal people classified themselves as "other." Aboriginal peoples in Ontario have diverse languages, cultures and traditions. The census also identified that approximately 47,000 First Nations people live on reserves in Ontario; these are lands set aside for the use and benefit of a specific band or First Nation. There are a total of 133 First Nation communities in Ontario, each of which has its own government or tribal council. The delivery of education through schools on reserve is the responsibility of the First Nation and the federal government. The federal government is financially responsible for the education of First Nation students living on reserve, whether these students attend First Nation or provincially operated schools.

As shown in Figure 1, the 2006 census (the most recent definitive data on Aboriginal education) identified that only 62% of Aboriginal adults had graduated from high school as compared to 78% of the general population, a gap of 16%. The academic achievement gap is even more pronounced—as high as 50%—for the youngest adult age group (aged 20–24). Only 39% of the First Nation people living on reserve in this age group had graduated from high school. This issue is all the more important considering that 46% of First Nation people are under the age of 25, as compared to the overall population where 32% are less than 25 years old.

The Ministry of Education (Ministry) administers provincially funded elementary and secondary education in Ontario and is responsible for developing the curriculum, setting requirements for student diplomas and providing funding to school boards. In 2006, the Ministry identified Aboriginal education as one of its key priorities, with a focus on closing the gap in academic achievement between Aboriginal and non-Aboriginal students by the year 2016. To meet this challenge, the Ministry released various policy documents and funded a number of initiatives intended to improve outcomes for Aboriginal students. Since 2006, the Ministry has provided $170 million in funding to improve academic achievement levels for Aboriginal students and increase awareness of Aboriginal cultures for all students.

In January 2006, the Aboriginal Education Office (AEO) was created to provide co-ordination and leadership on Aboriginal education issues and initiatives. The AEO works in collaboration with Aboriginal communities and organizations, school

Figure 1: The Gap in Aboriginal High School Graduation Rates for Adults and Young Adults

Source of data: 2006 Statistics Canada census and Ministry of Education

	All Adults (2006)		Age 20–24 (2006)		# Enrolled in Provincial Schools (2010/11)
Population Group	% Graduated	Gap	% Graduated	Gap	
All Ontario	**78**	–	**89**	–	–
First Nations—on reserve	44	34	39	50	5,690
First Nations—off reserve	64	14	66	23	27,765
Inuit	59	19	66	23	700
Métis	70	8	81	8	18,245
All Aboriginal	62	16	66	23	52,400

Note: The percentage graduated is the percentage of the population group with a high school diploma. The gap in graduation rates equals the percentage of all people graduated in Ontario minus the percentage graduated in the Aboriginal group.

boards, other ministries and the federal government. Currently, the AEO employs 12 staff, including five regional education officers who work with Ontario's 72 school boards.

Research indicates that many Aboriginal students are faced with significant challenges that impact their achievement levels in school, such as high rates of poverty, substandard housing and poor nutrition. Equally important, many of these students live in areas with little prospect of future employment, which is often a demoralizing factor in taking their education seriously. In 2008, Health Canada reported that there is an extraordinarily high and increasing rate of suicide among Aboriginal youth. Although the Ministry of Education cannot resolve all of these issues, it can promote achievement in school to help Aboriginal students overcome these challenges.

Audit Objective and Scope

The objectives of our audit were to assess whether the Ministry and selected school boards have adequate procedures in place to:

- identify and implement initiatives to improve Aboriginal student achievement and to measure and report on the effectiveness of those initiatives; and
- ensure that transfer payments intended for Aboriginal education initiatives are spent for the purposes intended and allocated on the basis of student need.

Senior management reviewed and agreed to our audit objectives and associated audit criteria.

Our audit work was conducted at the Ministry's head office, primarily in the Aboriginal Education Office. We also conducted audit work at selected school boards and at a sample of elementary and secondary schools in these boards. The three boards we visited were Algoma District School Board (Sault Ste. Marie), Kawartha Pine Ridge District School Board (Peterborough) and Lakehead District School Board (Thunder Bay).

Our audit work included reviewing and analyzing ministry files, administrative directives, policies and procedures, and interviewing ministry staff. We also met with school board staff, including supervisory officers, principals and teachers. We researched Aboriginal education practices in other jurisdictions and solicited the opinions of First Nation education managers, First Nation Elders, the Chiefs of Ontario and the Métis Nation of Ontario. Our audit also included a review of activities of the Ministry's Internal Audit Services Branch relating to Aboriginal education. We reviewed the branch's recent reports and considered its work and any relevant issues identified when planning our audit work.

Summary

In 2006, the Ministry identified Aboriginal education as one of its key priorities with a focus on meeting two primary challenges by 2016: to significantly improve achievement among First Nation, Métis and Inuit students, and to close the significant student achievement gap between Aboriginal and non-Aboriginal students. The Ministry also wanted all students to have an appreciation of Aboriginal cultures. In order to help achieve these objectives, the Ministry designed an overarching policy framework that endeavoured to identify Aboriginal students in Ontario, guide the development of appropriate support programs, periodically assess academic achievement and report on the progress made in implementing the framework. However, the Ministry needs to more actively oversee the implementation of this framework to demonstrate what, if any, progress has been made since 2006 in improving achievement among Aboriginal students and closing the achievement gap between them and other students in Ontario.

Some of our more significant observations regarding Aboriginal education in Ontario were:

- In 2007, the Ministry released the *Ontario First Nation, Métis and Inuit Education Policy Framework* (Framework), which includes 10 performance measures intended to gauge the success of ministry, school board and school efforts to improve the academic achievement of Aboriginal students. Although the Ministry has reported some success on several of these measures, five years after the release of the Framework the Ministry has not quantified any of the 10 performance indicators so that progress could be objectively measured, nor has it required that the school boards individually evaluate and report on these performance measures. None of the three boards we visited had done so.
- Since the Ministry did not have an accurate and reliable mechanism to identify Aboriginal students in the Ontario school system, in 2007 it released *Building Bridges to Success for First Nation, Métis and Inuit Students*. This policy guide assists school boards in developing Aboriginal student self-identification policies whereby students are given the option to formally identify themselves as First Nation, Métis or Inuit. At the time of our audit, less than half of the estimated Aboriginal student population in Ontario had self-identified. Improved progress on this self-identification strategy would enable the Ministry and boards to better target funding and periodically benchmark the academic progress of Aboriginal students.
- Five years after announcing its intention to significantly close the gap in achievement between Aboriginal and non-Aboriginal students, the Ministry has still not established a baseline or even a starting point from which to measure the gap. Therefore, we requested that the Ministry provide us with the most recent student data, including Grade 10 credit accumulation for self-identified Aboriginal students. Accumulation of credits toward graduation is one of the primary indicators of student success in high school. We noted that only 45% of the self-identified Aboriginal Grade 10 students were on track to graduate from high school, compared to 74% for all students in the Grade 10 population. This brings into question the Ministry's ability to meet its goal of significantly closing the achievement gap between Aboriginal and non-Aboriginal students by 2016.
- Even though an Aboriginal organization engaged by the Ministry in 2009 reported that consistent implementation of the Framework is necessary to make systemic change, we found that it was largely left up to each board to decide how it would

implement the Framework. The emphasis placed on this varied at the three boards we visited. For example, one of the school boards we visited had successfully implemented the self-identification policy as virtually all of its Aboriginal students had self-identified. This board was using student achievement data to identify challenges unique to its Aboriginal population and was implementing specific strategies to address these challenges.

- Although the early education of many First Nation students is provided by reserve schools, which are the financial responsibility of the federal government, many of these students eventually transfer into the provincial system. Given limited per-student funding, on-reserve schools have generally not been able to provide the quality of education found in provincial schools; studies suggest that these students may be several grade levels behind when they transfer into the public system. Although the Ministry does not measure this, our analysis of Education Quality and Accountability Office (EQAO) data found that only half of on-reserve students attending provincially funded schools passed the Grade 10 Ontario Secondary School Literacy Test in the 2010/11 school year, compared to the provincial average of 83%.

OVERALL MINISTRY RESPONSE

Too many Aboriginal students do not achieve the academic success we want for all students. Addressing this education attainment gap is a top priority for the government of Ontario. We are pleased that the Auditor General shares our commitment to improving educational outcomes for Aboriginal students.

The Ministry of Education (Ministry)and boards, working with First Nation, Métis and Inuit communities, share the view that significant progress has been achieved, and that conditions for future success have been established through progressive collaboration and specific supports. Some boards have made progress in implementing supports for Aboriginal students and recent evidence reveals specific instances where the achievement gap has been reduced. The Ministry agrees with the spirit of the Auditor General's recommendations and will continue to develop and implement strategies targeted to improve Aboriginal student success within the context, philosophy and approach outlined in the *Ontario First Nation, Métis and Inuit Education Policy Framework*.

The Ministry's Framework is based on *Ontario's New Approach to Aboriginal Affairs, 2005,* which charts a new course for a constructive, co-operative relationship with the Aboriginal peoples of Ontario to develop productive partnerships, collaborate on key initiatives and achieve real progress on shared goals.

The Ministry, with its partners, has put in place the necessary foundation for success in keeping with our overall student achievement strategy: building relationships and capacity within the sector; designing and developing data collection mechanisms; and analyzing and implementing evidence-driven strategies to support advancements in student achievement.

When considering evidence-based strategies and reporting, it is important to understand Aboriginal peoples' perspectives on the school system, including the intergenerational mistrust resulting from residential school experiences. Ontario respects Aboriginal and treaty rights protected by Section 35 of the *Constitution Act, 1982.* This is why the collection of Aboriginal student data must continue to be voluntary and confidential.

Moving forward, the Ministry will pursue a path that builds on demonstrated successes, in partnership with communities, school boards, the federal government and Aboriginal partners, to support First Nation, Métis and Inuit students across the province.

Detailed Audit Observations

POLICY GOALS, IMPLEMENTATION PLANS AND PERFORMANCE MEASURES

Policy Goals and Planning

In June 2005, the government of Ontario released *Ontario's New Approach to Aboriginal Affairs*, which outlined a number of initiatives aimed at achieving real progress on shared goals with Aboriginal people. In line with this approach, the Ministry identified Aboriginal education as one of its key priorities, with a focus on meeting two primary challenges by the year 2016: to improve achievement among First Nation, Métis and Inuit students; and to close the gap between Aboriginal and non-Aboriginal students in literacy and numeracy, retention of students in school, graduation rates and advancement to post-secondary studies.

In 2007 the Ministry released the *Ontario First Nation, Métis and Inuit Education Policy Framework* (Framework). The Ministry considers the Framework to be the foundation for delivering quality education to all Aboriginal students who attend provincially funded elementary and secondary schools. Figure 2 shows the Ministry's three goals and the 10 performance measures it intends to use to gauge success, as outlined in the Framework.

In order to be truly effective, the Framework recognized that it was necessary for the Ministry to develop an implementation plan to guide its activities and assist school boards in meeting the broad objectives in the Framework. Although the Ministry has engaged in some preliminary implementation planning, five years after the release of the Framework, the Ministry has still not developed a formal implementation plan. In our opinion, such a plan should identify the key obstacles faced by Aboriginal students and outline specific activities to overcome various obstacles. This was exactly the process we found the Ministry had used in our recent audits of school safety programs and student success initiatives, both of which had achieved

Figure 2: *Ontario First Nation, Métis and Inuit Education Policy Framework* Goals and Performance Measures
Source of data: Ministry of Education

Goal	Performance Measure
High levels of student achievement	1. Significant increase in the percentage of First Nation, Métis and Inuit students meeting provincial standards on province-wide assessments in reading, writing and mathematics 2. Significant increase in the number of First Nation, Métis and Inuit teaching and non-teaching staff in school boards across Ontario
Reduce gaps in student achievement	3. Significant increase in the graduation rate of First Nation, Métis and Inuit students 4. Significant improvement in First Nation, Métis and Inuit student achievement 5. Significant improvement in First Nation, Métis and Inuit student self-esteem 6. Increased collaboration between First Nation education authorities and school boards to ensure that First Nation students in First Nation communities receive the preparation they need in order to succeed when they make the transition to provincially funded schools 7. Increased satisfaction among educators in provincially funded schools with respect to targeted professional development and resources designed to help them serve First Nation, Métis and Inuit students more effectively
High levels of public confidence in public education	8. Increased participation of First Nation, Métis and Inuit parents in the education of their children 9. Increased opportunities for knowledge sharing, collaboration and issue resolution among Aboriginal communities, First Nation governments, and education authorities, schools, school boards and the Ministry of Education 10. Integration of educational opportunities to significantly improve the knowledge of all students and educators in Ontario about the rich cultures and histories of First Nation, Métis and Inuit peoples

some success. For these programs, the Ministry had formulated a strategy, devised a detailed plan, and measured results along the way to ensure that progress was being made. In contrast, the Ministry could not demonstrate how it was systematically implementing the Framework. Instead, we were informed that most of the Ministry's activities could be matched to at least one of the 10 performance measures. However, these performance measures were developed to assess the success of the Aboriginal education strategy and do not contain the detail necessary to guide ministry or school board activities.

According to the Framework, Aboriginal education must be integrated into the school board planning process. School boards in Ontario must be guided by the Board Improvement Plan for Student Achievement, a document that helps teachers, principals and school board staff plan and implement strategies to improve student achievement. The Ministry acknowledged that, although 40 out of Ontario's 72 school boards had included an Aboriginal education component in their improvement plans, it did not have a formal process in place to review these or other board plans. The Ministry could not provide us with any documentation to demonstrate that it had reviewed these board plans or assessed the degree to which the Framework has been implemented at each school board.

To assess the Aboriginal education planning process at the school board level, we reviewed the improvement plans for the past three years at the three boards we visited. We found that one of the boards made no reference to Aboriginal education, while another board listed Aboriginal cultural activities and events that it planned for that year. The third board set specific targets that focused on Aboriginal student achievement, one of which was to increase by 10% the number of Aboriginal students who were successful on the Ontario Secondary School Literacy Test (OSSLT). However, none of these boards specifically mentioned the Framework or identified any of its 10 performance measures in their improvement plans.

An Aboriginal organization engaged by the Ministry in 2009 to obtain feedback on the implementation of the Framework had reported that, although consistent implementation is necessary to make systemic change, implementation of the Framework appeared to be dependent on the individual in charge of Aboriginal education initiatives at the school board. Similarly, based on our visits to the three boards, we concluded that there was a need for greater ministry co-ordination and guidance.

Performance Measurement and Reporting

In 2007, the Ministry committed itself to report publicly every three years on the implementation of the Framework according to the 10 performance measures. It released the first progress report in the fall of 2009, titled *Sound Foundations for the Road Ahead,* to provide an update on the progress made since 2007 in implementing the Framework. However, much of the discussion provided in this progress report was of a very general nature and did not quantify any of the 10 performance measures or identify any specific targets to be used to assess progress against these measures.

For this first progress report, the Ministry engaged two Aboriginal organizations to solicit community feedback on the Framework, and also worked with an independent research team to obtain feedback from students, parents and school boards. Additionally, the Ministry sent out surveys to all school boards.

We reviewed the reports from the independent research team and the two organizations that the Ministry used to support its progress report. We noted that of the 1,200 students interviewed, only 111 had self-identified as Aboriginal students. Additionally, almost half the students interviewed were from the Ottawa region and 90% were from Catholic school boards, which represent only 30% of Ontario's elementary and secondary school student population. The research team noted that these and other sampling concerns limited the amount of reliable data collected. Clearly, an unrepresentative or inadequate sample would compromise the integrity of any related conclusions or inferences in the progress report.

A second progress report on the implementation of the Framework was scheduled to be released in the fall of 2012. However, in May 2012 the Ministry could not provide us with a draft of any progress it may have made on the report and stated that the report is now scheduled to be released in early 2013.

At the board level, we noted that two school boards we visited recently began to assess their status with regard to the Framework. This was the first time both of these boards had undertaken such an assessment since the Framework's release in 2007. In October 2011, one of these boards prepared a document that identified what it has already done and is planning to do to implement each of the 10 performance measures. In March 2012, the other board was asked by the Ministry to perform a self-assessment to determine how well that board has implemented the 10 performance measures. We noted that this process was not consistent among all regions and, in general, each board operated autonomously in the degree to which it implemented specific strategies to address the Framework and assessed the success of its strategies.

The Framework's three goals and 10 performance measures were developed to enable the Ministry and school boards to assess progress made toward improving achievement among Aboriginal students and closing the gap between Aboriginal and non-Aboriginal students. Overall, we found that, five years after the release of the Framework, neither the Ministry nor the boards we visited had measured progress in relation to the Framework's performance goals or set any measurable targets so that progress could be measured. As a result, there is little province-wide information to indicate what, if any, progress has been made in improving educational success among Aboriginal students and closing the achievement gap between them and other students in Ontario.

RECOMMENDATION 1

To help Aboriginal students succeed in school and reduce the gap in student achievement as outlined in the *Ontario First Nation, Métis and Inuit Education Policy Framework* (Framework), the Ministry of Education (Ministry) and school boards should:

- develop specific implementation plans that identify and address the key obstacles faced by Aboriginal students and routinely review and update these plans to assess what progress is being made; and
- include in these plans specific goals and performance measures as outlined in the Framework and objectively measure and report aggregate results to determine whether any progress is being made toward improving Aboriginal student outcomes.

MINISTRY RESPONSE

The Ministry agrees that implementation plans are necessary to support initiatives going forward to close the achievement gap. Initiatives to support Aboriginal student achievement must be holistic and leverage evidence-based strategies developed in supporting the student achievement agenda.

The Ministry will do the following:

- Release a preliminary progress report and draft implementation plan in fall 2012 to engage key partners on strategies for progress against the Framework's performance measures, in order to close the achievement gap between First Nation, Métis and Inuit students and all students.
- Release the second progress report on the implementation of the Framework in spring 2013. The report will include an implementation plan up to 2016.
- Align the implementation plan with other key government commitments and investments that are designed to provide

targeted supports for Aboriginal youth, such as Ontario's Mental Health and Addictions Strategy.

BOARD RESPONSE

All three boards agreed with this recommendation. One board noted that its process of setting specific plans, goals and performance measures assists it in measuring student learning over time, and that such efforts have resulted in improvements for Aboriginal students, particularly in primary reading and writing. The board noted that it would continue to work on further improvements, specifically in the area of junior mathematics. A second board's plans included strategies to close the achievement gap and provide specific supports for Aboriginal students. This board stated that it has shared student achievement results internally with staff and with each band, and that beginning in 2012 it would share aggregate data publicly in its director's annual report. The third board cautioned that the number of students who had self-identified was very low for some grades, and measuring achievement over time with such a small group may not result in reliable data. The board noted, however, that such information was still useful to support students by focusing on tiered intervention and differentiated instruction. This board also noted that annual planning allows it to validate systemic learning and, moving forward, it will more closely align planning with student learning and teacher needs.

VOLUNTARY, CONFIDENTIAL SELF-IDENTIFICATION

Student Self-identification

Historically, one of the obstacles related to focusing education supports on Aboriginal students is that the Ministry and school boards have not been able to identify these students in the Ontario school system. As a result, data could not be aggregated to develop programs, report on results achieved, or identify areas for improvement. Consequently, in April 2007, the Ministry released *Building Bridges to Success for First Nation, Métis and Inuit Students* (Building Bridges) as a guide provided to school boards to assist in developing policies for voluntary Aboriginal student self-identification whereby students would be given the option to formally identify themselves as First Nation, Métis, or Inuit. Board implementation of the self-identification policy was not mandatory but the Ministry encouraged all school boards to develop such a policy.

The Ministry did not have a formal process in place to oversee implementation of self-identification policies at the school board level. As of May 2012, although 68 of Ontario's 72 school boards had implemented a self-identification policy, less than half of the estimated Aboriginal students had self-identified (23,000 out of 52,400). The Ministry stated that the recent implementation of the policy at many boards was one of the primary reasons why only 44% of the estimated number of Aboriginal students had self-identified.

We reviewed data pertaining to self-identification at all 72 school boards and identified 18 boards that had not shown a significant increase in the percentage of students self-identified over the previous three years. In addition, another 30 boards had identified less than 20% of their estimated Aboriginal student enrolment. In contrast, virtually all the estimated Aboriginal students in 16 other school boards had self-identified, indicating that it was possible for these school boards to successfully implement a policy that encourages their Aboriginal students to voluntarily identify themselves.

At two of the three school boards we visited virtually all of the estimated Aboriginal student population had self-identified. During the first year of policy implementation, one of these boards had identified 150% of the number of Aboriginal students estimated by the Ministry. This board attributed its achievement to creating a successful awareness campaign prior to implementation. Furthermore, this board has received only two minor complaints from parents pertaining to student self-identification, which it addressed to the parents' satisfaction. At the third board we visited only about 50% of the estimated Aboriginal student population had self-identified. This board stated that it was unaware of the Ministry's estimate of the number of Aboriginal students in its schools and the Ministry had not provided them with the estimate. We believe that boards would find such information useful to help them to assess progress in identifying their Aboriginal students.

In July 2011, the Ministry surveyed school boards to assess progress to date in the implementation of the self-identification policy. More than 66 boards responded to the survey, and many provided recommendations that they thought would be useful in increasing the success of this policy. The boards wanted to see more ministry involvement in the process, with assistance such as a public awareness campaign, direct communication with Aboriginal communities, and standard materials for boards to use. Currently, each board independently develops its own materials, such as brochures for parents outlining the policy. Some boards find this challenging, as they need to ensure that information is correct and culturally appropriate. Boards also recommended that the Ministry provide more support in sharing best practices province-wide. One of the school boards we visited mentioned that boards are struggling to create effective strategies and approaches to implement the self-identification policy even though they have consulted with each other to obtain ideas on how to best implement a policy.

Teaching and Non-teaching Staff Self-identification

The Framework also outlines the need for a significant increase in teaching and non-teaching Aboriginal school staff. These individuals can act as mentors and role models, share their Aboriginal culture, and help foster an environment where Aboriginal students can reach a high level of achievement. In 2008, the Ministry met with the Ontario College of Teachers to develop a self-identification process for teachers of Aboriginal descent. In 2009, the College reported to the Ministry that teachers need to understand what self-identification information would be used for and how any potential concerns would be mitigated. The College also noted that the successful implementation of teacher self-identification may take many years and both short- and long-term implementation plans are needed.

At the time of our audit, the Ministry still did not have any plans to encourage school boards to implement an Aboriginal staff self-identification policy. Also, at the time of our audit the Ministry had not formally gathered any information on the number of boards that had implemented an Aboriginal staff self-identification policy or gathered any data on the number of staff who have self-identified.

One of the school boards we visited implemented a voluntary self-identification policy for its Aboriginal staff members in 2008. This board has experienced success, as many of its staff who self-identified have become resources to reach out to Aboriginal students. We noted that the trustees at another school board we visited recently passed a motion to develop a similar policy. Following our discussions with this board, it expressed interest in contacting the first board to obtain a copy of its staff self-identification policy to help in its own policy development.

RECOMMENDATION 2

To obtain the population data necessary to better develop specific support programs, report on results, and identify opportunities to improve Aboriginal student achievement, the Ministry of Education (Ministry) should:

- develop standard communication tools and disseminate best practices to assist boards in successfully implementing an effective student self-identification process; and

- develop a policy guide for self-identification by Aboriginal teaching and non-teaching staff and oversee the effective implementation of this policy.

Both the Ministry and school boards should exercise effective oversight to help ensure that the student self-identification policy is being successfully implemented in Ontario schools.

MINISTRY RESPONSE

The Ministry agrees that it is necessary to support self-identification efforts and commends the significant progress that boards have made thus far in building trust with Aboriginal families choosing to participate in the initiative. A multi-pronged approach that further engages boards and Aboriginal partners is required.

The Ministry will do the following:

- Implement a communication strategy to support all boards in strengthening their Aboriginal student self-identification policy implementation by spring 2013.
- Provide support to all boards in the development of board-specific strategies regarding the continued implementation of Aboriginal voluntary self-identification policies throughout the 2012/13 school year.
- Continue to work with education partners, including those representing teaching and non-teaching staff, to discuss the feasibility of the development of a policy guideline for voluntary staff self-identification, by the end of the 2013 calendar year.

BOARD RESPONSE

All three boards supported the recommendation, with one board noting that sharing best practices regarding the implementation of voluntary self-identification would be very helpful, especially regarding appropriate and effective use of the data. This board noted that the majority of its eligible students had voluntarily self-identified, and this number continues to grow in step with the changing demographics of its community. A second board stated that it supported the development of communication tools that can be used as exemplars to augment present self-identification processes. The third board stated that its self-identification policy had been in place since 2007, with almost 100% participation of its Aboriginal students. The board noted that it had positive results in implementing its staff self-identification policy and was willing to share its communication documents.

DATA COLLECTION AND ANALYSIS

In order to assess progress toward the goals of improving student achievement and closing the gap between Aboriginal and non-Aboriginal student achievement by the year 2016, the Framework noted that it will be important to have reliable and valid data. In addition, Aboriginal student-specific data is needed to support performance measurement and reporting. To evaluate progress, the Framework included three performance measures that directly assess Aboriginal student achievement and require student-specific data to measure:

- significant increase in the percentage of First Nation, Métis and Inuit students meeting provincial standards on province-wide assessments in reading, writing and mathematics;
- significant increase in the graduation rate of First Nation, Métis and Inuit students; and
- significant improvement in First Nation, Métis and Inuit student achievement.

The Ministry collects information from schools and school boards through a secure, web-enabled system called the Ontario School Information System (OnSIS). The Ministry also acquires data from third-party sources such as Statistics Canada and the Education Quality and Accountability Office

(EQAO), the Ontario government agency that performs standardized testing of elementary and secondary school students. Once collected, the data is run through various quality assurance processes, personal information is removed, and the data is stored as the authoritative source of education data. Our assessment showed that OnSIS is relatively up to date, as data is submitted, verified and finalized three times annually. However, the Ministry does not currently use this data to periodically produce standard reports to assess the progress made in achieving the goals of the *Ontario First Nation, Métis and Inuit Education Policy Framework*.

Five years after identifying the challenge of closing the achievement gap between Aboriginal and non-Aboriginal students, the Ministry has still not determined the size of the gap. Further, the Ministry has not established a baseline or even a starting point from which to measure the gap. The Ministry has also not decided when it will begin measuring and reporting on Aboriginal student achievement, nor has it decided what "significant" means in its performance measures, such as to see "significant improvement in … student achievement." Finally, the Ministry has not developed specific targets in connection with the performance measures as required by the Framework.

The Ministry stated that it has not begun to assess the gap because, in its opinion, the 44% of students who have self-identified are not sufficiently representative to compare their achievement results with the results for the non-Aboriginal student population. However, the Ministry has still not determined the number of self-identified students it considers to be enough before it will begin measuring and reporting on Aboriginal student achievement.

The Ministry has also not analyzed Aboriginal student achievement data for the province as a whole, with the exception of some preliminary analysis in 2011 that focused on six school boards. Therefore, we requested that the Ministry provide us with data including EQAO results as well as Grade 9 and 10 credit accumulation numbers for all self-identified Aboriginal students in the provincial school system. Accumulation of credits toward graduation is one of the primary indicators of student success in high school. Using these two data sources as a means to analyze student achievement, we noted that, for 2011, a significant achievement gap continued to exist between self-identified Aboriginal students and the rest of the student population. We also noted that this gap tends to increase as Aboriginal students make their way through the educational system, as shown in Figure 3.

The Ministry annually reports the graduation rate for the entire student population, but it does not calculate a graduation rate for Aboriginal students. The Ministry advised us that it will begin to report on the graduation rate for Aboriginal students following the 2013/14 school year. The most recent information available, the 2006 census, identified that 65.5% of Aboriginal adults aged 20–24 had graduated from high school compared to 88.4% of the non-Aboriginal population of the same

Figure 3: Comparison of Student Achievement Data, 2010/11 (%)

Source of data: Ministry of Education

Measure	All Students	Self-Identified Aboriginal Students	Gap in Aboriginal Student Achievement
Grade 3 EQAO: achieved provincial standard*	69	52	17
Grade 6 EQAO: achieved provincial standard*	68	49	19
Grade 9: 8 or more credits earned	83	63	20
Grade 10: 16 or more credits earned	74	45	29

* Overall average of the percentage of students who achieved the provincial standard on the reading, writing and mathematics tests.

age—a gap of 23%, as shown in Figure 1. Our analysis of the credit accumulation data for 2011 shows that only 45% of the Grade 10 self-identified Aboriginal students were on track to graduate from high school, compared to 74% of all other students—a gap of 29%. These statistics, while not conclusive, would certainly indicate that the Ministry faces significant challenges in meeting its 2005 stated goal of closing the gap in achievement between Aboriginal and non-Aboriginal students by 2016.

One board we visited analyzed on a regular basis indicators such as Grade 9 pass rates, and Grade 9 and 10 credit accumulation numbers. From this type of analysis, the board identified that Aboriginal students were having difficulty passing Grade 9 physical education. As a result, it introduced culturally relevant games and activities. This example shows that analyzing good data can uncover previously unsuspected barriers to achievement. We also noted that this board sets measurable targets specific to Aboriginal student achievement. For example, in the 2011/12 school year the board aims to increase the percentage of self-identified Aboriginal students who achieve 12 or more credits by the end of the first Grade 10 semester from 26% to 40%.

We also researched data collection and analysis at various other school boards in Ontario and noted that one of the larger boards found that 80% of its Aboriginal students did not meet the EQAO provincial standard on the Grade 6 reading, writing or math assessments and, in general, Aboriginal students were highly at risk academically. This board reported that it used such information to assess the gaps in student achievement and better target its support programs.

Our review of public reporting on Aboriginal student results in other jurisdictions revealed that the two provinces with the second and third largest Aboriginal populations behind Ontario report on Aboriginal student achievement results annually. British Columbia's Ministry of Education publishes an annual report that provides information about Aboriginal student performance at both the provincial and school district levels. Alberta Education reports on academic performance measures for Aboriginal students directly within its annual report. These measures include indicators similar to those contemplated in the Framework, such as the level of achievement on province-wide standardized testing and high school graduation rates.

RECOMMENDATION 3

To help assess the progress being made toward achieving the goals and performance measures outlined in the *Ontario First Nation, Métis and Inuit Education Policy Framework*, the Ministry of Education (Ministry) and school boards should:

- establish a baseline with respect to the goals and performance measures identified in the Framework and set measurable, realistic targets; and
- periodically review progress made with regard to closing the gap between Aboriginal and non-Aboriginal student achievement so that additional or alternative strategies can be implemented where necessary.

MINISTRY RESPONSE

The Ministry agrees that it is essential to measure and track progress being made toward achieving the goals and performance measures outlined in the Ontario *First Nation, Métis and Inuit Education Policy Framework*. The Ministry's approach is consistent with lessons learned in its successful student achievement agenda. The Ministry now has a larger and more representative subset of Aboriginal student self-identification data. For the next phase of reporting in 2013 and moving toward the target of closing the gap by 2016, the Ministry will engage with Aboriginal communities to develop a reporting approach that best fits the current Ontario context.

The Ministry will do the following:

- Engage with key First Nation, Métis and Inuit partners in fall 2012 regarding its approach to public reporting of the Aboriginal student

self-identification data in the second progress report.
- Release baseline voluntary Aboriginal student achievement data in spring 2013.
- Review First Nation, Métis and Inuit student achievement progress annually.
- Continue to support boards and engage Aboriginal partners in developing targeted strategies to support Aboriginal learners.
- Share best practices and refine implementation processes with boards in the 2013 progress report.

BOARD RESPONSE

The boards agreed that this recommendation was very important, with one board stating that data collection and analysis are critical to improving achievement, life chances and life choices for Aboriginal students. This board went on to note that although individual boards can use their own data to compare their Aboriginal student results over time, they have limited access to provincial results for comparison purposes. A second board stated that it had already implemented additional, alternative strategies to support Aboriginal students and that a review of its data since 2008 demonstrated a continual increase in achievement for Aboriginal students. The third board stated that while data collection and analysis would be very important, the small sample size that it gathers would make the correlation between the impact of board initiatives and student achievement unreliable.

FUNDING

Since the inception of the Ontario *First Nation, Métis and Inuit Education Policy Framework* in 2007, the Ministry has allocated $170 million, primarily to school boards, for Aboriginal programs over and above regular school board funding. Almost $129 million has been provided through the First Nation, Métis and Inuit Education Supplement, and the remaining $41 million was for Framework implementation funding, as detailed in Figure 4.

First Nation, Métis and Inuit Education Supplement

In 2007, the Ministry introduced the First Nation, Métis and Inuit Education Supplement to support the goal of improved Aboriginal student achievement as outlined in the Framework. This funding (per-pupil amount) is intended to help boards offer and expand Native Language and Native Studies courses and support programs to assist Aboriginal students.

The goal of Native Language courses is to instill Native students with pride in their ancestral language and to motivate them to use it to communicate in their daily lives. Native Studies courses are aimed at providing all students with a broad range of knowledge relating to Aboriginal history and cultures, and are offered at the secondary school level to both Aboriginal and non-Aboriginal students. We found that the number of students enrolled in both Native Language and Native Studies courses has increased since the supplement was introduced in 2007.

We reviewed the per-pupil amount, which is the largest component of the First Nation, Métis

Figure 4: Total Ministry Funding for Aboriginal Education Programs, 2006/07–2011/12 ($ million)
Source of data: Ministry of Education

	Funding
Education Supplement	
Per-pupil amount	60.0
Native Studies	38.0
Native Languages	30.6
Total	**128.6**
Framework Implementation	
Implementation funding	35.2
Alternative Secondary School Program	5.6
Total	**40.8**
Total Funding	**169.4**

and Inuit Education Supplement. The per-pupil amount is allocated to school boards based on the estimated Aboriginal student population as derived from the 2006 Statistics Canada census. One of the school boards we visited had identified, through the self-identification process, 50% more Aboriginal students than the number contained in the Ministry's estimate. This illustrates that the information the Ministry is using to estimate the number of Aboriginal students at each board may not be up to date and may not be reflective of the actual student population. Consequently, if funds had been allocated on the basis of the actual Aboriginal student population, this board would have received significantly more per-pupil funding than it received.

The Ministry intends that school boards will target this funding to local needs in support of activities linked to the Framework's goals and performance measures. However, the Ministry has not placed any specific stipulations on this funding or provided any formal guidance on how the funding is to be spent. According to the Ministry, this provides boards with the flexibility to determine how best to allocate resources. In addition, although the Ministry may have discussed program spending with board representatives, there is no documented evidence of such discussions and there is no formal report-back process from the boards of any confirmation that the funds have been used to support Aboriginal students.

All three school boards we visited could provide us with a brief explanation of how they had spent the per-pupil funds. They informed us that the funds were used for purposes such as paying salaries for Aboriginal support workers, funding professional development for teachers, and providing resources for students making the transition from on-reserve schools to provincially funded schools. However, as is consistent with all ministry grants for student needs, boards are not required to formally track these expenditures to verify that the per-pupil funds were used for the benefit of Aboriginal students. In addition, the Ministry has not performed any formal analysis on the $60 million in per-pupil funding to determine if this funding has had any impact on Aboriginal student achievement.

Framework Implementation Funding

Framework implementation funding to school boards is provided to support Aboriginal student achievement and help boards implement the Framework. Initiatives under this program include self-identification policy implementation, student success projects, professional development for teachers and student transition programs. School boards must submit proposals to the Ministry for projects they plan to undertake and, upon project completion, are required to submit a report detailing project outcomes.

We reviewed the proposal selection process for a sample of eight boards and found that there was little documented evidence of proposal prioritization by the Ministry or that a formal scoring system was used to rank proposals. Also, we were informed that ministry staff discussed proposals with each other, but these discussions were not documented and justification for rejecting proposals was not apparent or communicated to the school boards we visited. In addition, there was no evidence that funds were allocated on the basis of either the Aboriginal student population at each board or documented need. In fact, of the boards we reviewed, the board with the fewest Aboriginal students received more funding than the board with the greatest Aboriginal student population. On a per-student basis this worked out to $347 and $73, respectively.

We reviewed a number of project report-backs to the Ministry and found that the reports did not include indicators of success even though such indicators had been defined by the boards in their proposals. Some of the indicators of success noted in proposals were to increase Aboriginal student credit accumulation and participation in extracurricular activities. Although the project completion reports discussed the perceived overall impact of the projects, none of the reports reviewed directly addressed the result indicators noted in the related original project proposals.

We also reviewed the Alternative Secondary School Program within Native Friendship Centres, which provides individualized and culturally appropriate supports to help Aboriginal students complete their secondary school diploma if they have previously dropped out of school or have fallen behind because of life circumstances. The program is a working partnership between 11 friendship centres, which are not-for-profit corporations mandated to serve the needs of all Aboriginal people, and their nearby district school boards. The district school board is required to provide teachers and course materials for the program.

The Ontario Federation of Indian Friendship Centres (OFIFC), a provincial organization representing the collective interests of friendship centres, provides administrative oversight of the program. The OFIFC flows approximately $90,000 in ministry funding to each friendship centre annually. The OFIFC collects and sends to the Ministry financial information and program outcome reports. These reports demonstrate that the funds were used by the centres for the purposes intended and provide information on the centres' relevant successes and challenges including enrolment and exit information, diplomas and certificates awarded, and credits attempted and granted. We reviewed the report-backs for the past three years and noted that the OFIFC had submitted all the reports as required by the Ministry. In addition, a 2009 ministry evaluation of the program found that there were increases in student achievement, credit accumulation and school retention rates.

RECOMMENDATION 4

To better ensure that funding is allocated based on the needs of Aboriginal students, the Ministry of Education (Ministry) should:

- consider basing per-pupil funding on more current and reliable Aboriginal student enrolment data, as this could result in a more equitable funding allocation;
- where funding is allocated in response to board proposals, document the underlying rationale for the funding and communicate to boards the justification for accepting or rejecting their proposals; and
- implement report-back processes not only to demonstrate that funds are spent for the purposes intended but also to obtain information on the success of different types of support programs boards are undertaking.

MINISTRY RESPONSE

The Ministry agrees to consider the review of existing funding mechanisms and reporting procedures. Other funding sources will continue to be leveraged to support Aboriginal student achievement.

The Ministry will do the following:

- Examine the feasibility of remodelling the First Nation, Métis and Inuit Education Supplement based on available Aboriginal student self-identification data.
- Work more closely with boards to support their efforts to promote Aboriginal student self-identification.
- Ensure that all boards receive feedback on their proposals, that enhanced reporting processes are put in place by 2013, and that impacts on student achievement are consistently evaluated as part of the proposal evaluation and reporting processes.

FIRST NATION STUDENTS LIVING ON RESERVES

First Nation Schools

The education of First Nation students living on reserve is the financial responsibility of the federal government. Through Aboriginal Affairs and

Northern Development Canada, the federal government provides funding directly to First Nation bands to deliver education programs and services. There are 118 band-operated schools on reserves in Ontario (80 elementary, 7 secondary and 31 alternative schools). The Ministry informed us that approximately 12,700 Aboriginal students attend First Nation schools.

The Ministry's 2009 progress report, *Sound Foundations for the Road Ahead*, identified that there was a significant disparity between the level of funding targeted for the on-reserve schools by the federal government and ministry funding for provincial schools. In 2011, the Chiefs of Ontario reported that federal funding was approximately 65% of per-student provincial funding. Research suggests that this difference in funding has resulted in schools on reserves being unable to pay competitive salaries to teachers or purchase adequate, up-to-date resources for students. This has resulted in on-reserve schools often not being able to provide the quality of education found in the provincial school system.

The Education Quality and Accountability Office (EQAO) may enter into agreements with First Nations to test students enrolled in band schools. In the 2010/11 school year, 39 out of 118 First Nation schools participated in EQAO provincial standardized testing. These tests help First Nation communities assess whether students in their schools are meeting provincial standards. We analyzed the most recent EQAO results and found that, for participating First Nation schools, there was a gap on average of 40% from the provincial average for Grade 3 and Grade 6 students in reading, writing and math. These results reaffirm a 2004 report by the Auditor General of Canada and other studies that suggest that these students may be performing at a level several grades below that which is appropriate for their age.

The Ministry has identified early learning as crucial to student success. Even though education for students who live on reserves is a federal responsibility, many of these students eventually transition into the provincial education system. We inquired if the Ministry has worked with the federal government to promote early learning for First Nation students and were informed that, due to jurisdictional matters, the province does not have a mandate to implement programs or undertake research or assessments with regard to students in on-reserve schools. Nevertheless, in the 2012 budget, the government stated that Ontario is prepared to work together with First Nation communities and the federal government to share the province's expertise in delivering education, provided the federal government supplies the necessary funding for on-reserve First Nation education.

Tuition Agreements

According to the Ministry, there are approximately 5,700 First Nation students who live on reserves but attend provincially funded schools. Many of these students attend provincially funded schools because the reserve does not have a secondary school. Since funding for these students is paid by the federal government to the band council, these students are not considered to be pupils of the school boards and therefore the Ministry does not pay the cost of their education. Therefore, boards are required to charge band councils tuition fees through negotiated tuition agreements. Although the Ministry releases annual fee regulations that outline a base tuition fee, school boards may charge a fee in excess of this amount for services such as special education programs or specific supports. Amounts charged in excess of the base tuition fee must be agreed upon by the school boards and First Nation communities as part of the tuition agreement.

The Ministry does not keep track of the tuition agreements in place between the school boards and First Nation communities in Ontario. However, the Ministry estimates that there are approximately 166 tuition agreements and that school boards collect about $60 million per year from First Nation communities to educate reserve students in provincially funded schools.

We identified that there should have been a separate tuition agreement in place with each of the 25 First Nation communities sending students to the three school boards we visited. However, we noted that there were only 13 agreements in place; four agreements had expired, and there were 12 instances where no tuition agreements existed. Nevertheless, we tested a sample of invoices billed by school boards to First Nation communities and found that the appropriate base tuition fee was charged and paid where no agreements existed and, in general, First Nation communities were up to date with payments. However, in one case we found that the school board was charging in excess of the base fee where it had no authority to do so, since a negotiated tuition agreement did not exist. The First Nation community paid the school board the base fee, but the school board continued to bill excess fees that totalled $1.3 million over the last three years. The representative responsible for education at this First Nation community indicated that the inability to agree on the amount being charged in excess of the base fee was the primary reason a tuition agreement had not been signed.

There are currently no standard ministry policies or procedures in place pertaining to tuition agreements. The Ministry, the federal government, the Chiefs of Ontario and four school board associations have been working together since 2009 to develop tuition agreement guidelines. Rough drafts of these guidelines had been distributed to the school boards we visited. However, two of these boards were having problems negotiating tuition agreements. Both these boards suggested that if standardized template agreements could be developed and agreed upon by the Ministry, the federal government and First Nation communities, this would greatly facilitate the process for local boards.

Transition of Students to the Provincial School System

First Nation students may experience many challenges when they transition from a school on a reserve to a provincially funded school—typically moving from a primary school on the reserve to a provincial secondary school. For example, some students living in remote northern communities leave their families to stay with host families in urban areas to attend secondary school. This may cause emotional, physical, spiritual and psychological challenges for the student. As part of the Framework implementation funding, the Ministry provides funding for transition projects intended to assist school boards in providing supports to First Nation students who live on reserve but attend provincially funded schools.

In the 2011/12 school year, the Ministry provided each board with up to $50,000 for Aboriginal student success projects, including transition projects. We reviewed the transition projects approved over the last three years for the boards we visited and noted that they often include assigning a lead teacher for First Nation students and setting aside a room for these students to meet. One of the school boards we visited had a formalized Aboriginal transition program that included welcome kits, assigning a special teacher to transitioning students, and offering Grade 9 and 10 transition courses. Overall, we noted that the implementation of transition programs was at the discretion of the boards.

We reviewed provincial supports for transitions in other jurisdictions and found that Alberta and Manitoba had created a number of resources to help educators with student transitions. For example, Manitoba Education has released a policy guide to help school boards identify specific student needs and develop transition plans. We noted that one of the Ontario school boards we visited was drafting a secondary school entrance form for First Nation students that includes sections pertaining to educational background (such as attendance, report card marks, standardized testing results and strengths in school), as well as any health issues or behavioural concerns.

First Nation Student Self-identification

In the 2007 Building Bridges policy guide for student self-identification, the Ministry identified four groups under which Aboriginal students could identify: First Nation (off-reserve), First Nation–Tuition Paying (on-reserve), Métis and Inuit. However, in October 2011, the Ministry eliminated the distinction between on- and off-reserve First Nation students. The Ministry explained that it had eliminated this distinction because some students were experiencing self-esteem issues in self-identifying, some parents did not understand the distinction, and school staff found it difficult to have students change their identification when they moved on and off the reserve. The Ministry stated that these concerns had been informally reported to it. However, the Ministry did not assess more formally whether these concerns were representative of the First Nation community as a whole or attempt to alleviate potential concerns before eliminating this distinction. The Ministry advised us that the data is still maintained internally and therefore its ability to target programs to meet the needs of all Aboriginal students would not be impaired.

On-reserve First Nation students experience unique challenges as they transition to schools in the provincial system. With a significantly greater achievement gap, we believe students living on reserve continue to need to be identified separately so the Ministry, school boards, schools and First Nation communities can target specific supports to meet their needs. One of the school boards we visited during our audit was reviewing its self-identification policy and planned to include the First Nation on-reserve category. This board had determined that student supports can be better targeted if the board collects and analyzes student achievement data for on-reserve students separately.

Even though the Ministry does not analyze student achievement data with respect to on-reserve students, we found that these students continue to have difficulty transitioning into provincially funded high schools. For example, in the 2010/11 school year only half of on-reserve First Nation students attending provincial schools passed the Grade 10 Ontario Secondary School Literacy Test, compared to the provincial average of 83%. This indicates that all stakeholders, including the Ministry, school boards, the federal government and First Nation communities, need to work more effectively to ensure that the needs of these students are identified, as more targeted support programs may be required to ensure that they are given an equal opportunity to succeed.

Tripartite Agreements

Since 2009, the Ministry has been engaged in discussions with the federal government and First Nation communities to formalize education agreements designed to promote collaboration between all parties on initiatives to improve First Nation student outcomes. One of these agreements, the Education Partnership Program, is a federally led initiative where First Nation communities submit proposals to the federal government to help advance First Nation achievement in both First Nation and provincially funded schools. The program supports partnerships between First Nation and provincial officials who share expertise and services, and co-ordinate learning initiatives.

Joint initiatives with the federal government and First Nation communities to improve the academic achievement of students living in First Nation communities will not be implemented until the agreements have been finalized. However, as of April 2012, the education agreements that the Ministry has been discussing since 2009 with the federal government and First Nation communities had not been finalized.

Eight other provinces, including British Columbia, have signed tripartite education agreements with the federal government and their First Nation communities. British Columbia has had an agreement in place since 1999 and reports annually on Aboriginal education results. It reports that over the last five years (2006/07–2010/11) it has reduced the gap in high school graduation rates between Aboriginal and non-Aboriginal students by 6%.

RECOMMENDATION 5

In order to improve educational outcomes for First Nation students living on reserves, the Ministry of Education (Ministry) and, where applicable, school boards, should:

- develop standardized template tuition agreements and guidelines that can be used by all boards and periodically monitor whether valid tuition agreements are in place with all bands;
- take a more proactive role to encourage boards to share best practices to assist with the transition of students from on-reserve schools to the provincial education system;
- separately measure the effectiveness of initiatives implemented to address the unique challenges faced by on-reserve students attending provincially funded schools; and
- continue to participate in and more proactively engage in tripartite agreement discussions with the federal government and First Nation organizations.

MINISTRY RESPONSE

The Ministry agrees that support for First Nation students is essential to close the achievement gap. The Ministry recognizes that the treaty and Aboriginal rights of First Nations people are recognized and affirmed in Section 35 of the *Constitution Act, 1982*, and the treaties are a fundamental part of the relationship among the First Nations, Canada and Ontario. Therefore, the Ministry will develop its approach to any reporting that may reflect on on-reserve schools in partnership with First Nation communities.

The Ministry will do the following:

- Release the tuition agreement resource guide by the end of the calendar year 2012. Included in the guide are suggested examples of key provisions to be included in any agreement. The Ministry will continue to work with First Nation and district school boards to support their negotiation processes.
- Identify and share best practices in the development and implementation of targeted initiatives to support First Nation, Métis and Inuit student achievement, including transition programs, in spring 2013.
- Create and implement successful evidence-based targeted programs, based on proven success.
- Develop and enhance successful transition programs for students moving from schools on reserve to provincially funded schools in partnership with boards and First Nation communities.
- Report on provincially funded activities undertaken by boards and the Ministry to support student transitions.
- Continue to work with First Nations and the federal government to finalize and implement tripartite agreements as negotiations proceed.

BOARD RESPONSE

All three boards recognized the importance of helping students with the transition from reserve schools to the provincial school system. One board noted that it would support any practice that encourages integration and the fair treatment of all students within a strong, accountable system. A second board noted that ongoing dialogue as well as newsletters and orientation sessions helped smooth the transition for its students. The third board noted that many of its First Nation students leave home, live in a boarding home and move to a large secondary school all at the same time. The board stated that, in addition to the supports currently in place, it has implemented a new program designed to provide academic supports, a safe space with a caring adult and a way for students to contact home.

In regard to tripartite and tuition agreements, one board noted that expediting efforts to finalize the tripartite agreement with the federal government would be very helpful to school boards. A second board stated that the development of a common tuition template agreement may be problematic, since this board serves several First Nations with very different tuition agreements and formats. The third board stated that it agrees with the concept of standardized templates for tuition agreements but has found that First Nations are reluctant to sign new agreements until there is a consensus among all First Nations. The board noted that it would continue to meet with its First Nation partners with the goal of finding mutually acceptable agreements that serve their communities and students in the best possible manner.

Chapter 3

Section

3.06

Ministry of Health and Long-Term Care

Independent Health Facilities

Background

Independent health facilities are located in communities throughout Ontario and provide certain health services at no charge to patients insured under the provincially funded Ontario Health Insurance Plan (OHIP). About 800 facilities provide primarily diagnostic services (such as x-rays, ultrasounds and sleep studies), and about 25 provide surgery (such as cataract and plastic surgery) or dialysis. Patients generally require a requisition signed by their physician in order to receive the services, and test results, where applicable, are sent to this physician. Under the *Independent Health Facilities Act*, the Ministry of Health and Long-Term Care (Ministry) is responsible for licensing, funding and co-ordinating quality assurance assessments of these facilities.

The facilities are independently owned and operated, with most being for-profit corporations; less than 3% are non-profit organizations. The Ministry estimates that about half are fully owned or controlled by physicians, many of whom are radiologists who interpret, for example, x-rays and ultrasounds. The Ministry pays facility owners a "facility fee"—an amount for each type of service provided and/or a contracted amount—for overhead costs, such as rent, staffing, supplies and equipment.

In the 2010/11 fiscal year, the Ministry paid $408 million in facility fees. Total facility-fee payments increased by about 4% per year between the 2006/07 and 2010/11 fiscal years, primarily because of increased volume of services (because the fees paid to facilities for each type of service remained largely unchanged). The total facility-fee payments are broken down by type of service in Figure 1.

As well, the Ministry pays physicians working in these facilities—often radiologists—a standard fee for each service provided, known as a "professional fee." The Ministry does not track the total professional fees paid to physicians for the specific services they provide in independent health facilities.

The Ministry contracts with the College of Physicians and Surgeons of Ontario (the professional oversight organization for physicians in Ontario) to obtain assurance on the quality of the services provided by facilities licensed under the *Independent Health Facilities Act.* As well, the Ministry conducts inspections of facilities with x-ray equipment, including independent health facilities, under the *Healing Arts Radiation Protection Act.*

Figure 1: Total Facility Fees Paid, by Type of Service, 2006/07–2010/11 ($ million)

Source of data: Ministry of Health and Long-Term Care

	2006/07	2007/08	2008/09	2009/10	2010/11
Diagnostic Services					
Ultrasound	129.9	138.0	150.7	166.2	173.0
Radiology (includes x-rays)	116.1	114.6	110.7	113.6	111.0
Nuclear medicine[1]	39.5	41.6	44.0	42.5	40.8
Sleep studies	29.3	32.8	36.5	39.1	39.6
MRI/CT	5.7	5.7	8.4	8.9	10.0
Pulmonary function studies[2]	2.1	2.0	2.1	2.3	2.4
Subtotal	**322.6**	**334.7**	**352.4**	**372.6**	**376.8**
Surgical/Therapeutic Services					
Dialysis	9.9	9.8	10.2	11.0	15.2
Abortion	6.4	6.2	6.5	7.0	7.1
Ophthalmology	6.4	6.5	6.4	6.4	6.4
Plastic	1.0	1.0	1.0	1.0	1.1
Vascular[3]	0.9	0.7	0.7	0.8	0.8
Laser[4]	0.4	0.3	0.4	0.5	0.4
Subtotal	**25.0**	**24.5**	**25.2**	**26.7**	**31.0**
Total	**347.6**	**359.2**	**377.6**	**399.3**	**407.8**

1. Patient tests using radioactive material (e.g., a small amount is administered and images are taken of where it goes in the body to observe blood flow through the heart or lungs).
2. A test to measure a patient's lung function.
3. Surgery for patients who have problems with their arteries or veins.
4. Surgery using a laser beam to cut tissue or remove a surface abnormality or lesion.

Audit Objective and Scope

Our audit objective was to assess whether the Ministry had implemented systems and processes to determine whether independent health facilities were providing Ontarians with insured services in a timely and cost-effective manner, in accordance with legislated requirements. Ministry senior management reviewed and agreed to our objectives and associated audit criteria.

Our audit work was primarily conducted at the Kingston offices of the Ministry's Independent Health Facilities Program. As well, we obtained information from the Toronto offices of the Ministry's X-ray Inspection Services Unit. In conducting our audit, we reviewed relevant documents, analyzed information, interviewed appropriate ministry staff, and reviewed relevant research from Ontario and other jurisdictions. As well, we surveyed independent health facilities to determine whether certain services were available. We also had discussions with the College of Physicians and Surgeons of Ontario and the Canadian Nuclear Safety Commission related to the operation of independent health facilities in Ontario. Further, we obtained information and had discussions with senior management about similar facilities in other Canadian jurisdictions.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work, because it had not recently conducted any audit work on independent health facilities.

Summary

Our last audit in 2004 found that the Ministry generally had adequate procedures in place for ensuring that independent health facilities complied with legislation and ministry policies but noted a number of areas requiring ministry action. These included determining the service levels necessary to meet patient demand, the reasonableness of fees paid for facilities' overhead costs, the wait times for services and which community-based services should be subject to a quality assurance process. Since our 2004 audit, the Ministry has taken action to enhance the oversight of services offered in independent health facilities. For example, it has arranged for the College of Physicians and Surgeons of Ontario (College) to conduct more frequent assessments of facilities with previously identified issues; it has also amended the *Medicine Act, 1991* to enable the College to conduct service-quality inspections of community health clinics that use anaesthesia (such as those providing plastic surgery and colonoscopies) but are not covered by the *Independent Health Facilities Act*.

Nevertheless, in several other areas the concerns we raised in 2004 still remain. For example, ministry data indicates that patients in about 50% of Ontario municipalities continue to be underserved for certain diagnostic services (including radiology, ultrasound and pulmonary function studies). As well, even though the Ministry has not increased the rates paid to facilities for overhead costs since 2006 (in fact, it decreased the rates by 2.5% in spring 2012), the Ministry has not researched the current actual overhead costs of providing the services. These costs may have changed significantly because new technology allowing certain tests to be performed much faster often results in lower overhead and staffing expenses.

Ensuring timely availability of services and reasonable facility fees are both especially important because the Ministry's 2012 Action Plan for Health Care indicated that a number of less complex medical procedures may be moved from hospitals into community clinics, such as independent health facilities. Some of our other more significant observations include the following:

- Every facility is paid the same amount for each type of service provided, regardless of the total number of services the facility provides. Consequently, larger facilities in urban areas often benefit from economies of scale, because certain costs (such as rent and salaries for reception staff) generally do not increase proportionately with the number of services performed. Paying slightly higher fees in locations with smaller populations and lower fees in high-density locations, for example, might encourage more facilities to service areas that are currently underserved without affecting the Ministry's total facility-fee payments.
- The Ministry generally does not allow facilities to easily relocate to more underserved areas.
- The Ministry estimated that certain services—such as MRIs, dialysis and colonoscopies—were about 20% to 40% less expensive if delivered in community clinics, including independent health facilities, rather than in hospitals.
- Although the Ministry has some information on facility ownership and estimates that about 50% of facilities are owned or controlled by physicians, many of whom are radiologists, it has not analyzed the patterns of physicians referring patients to their own facilities or related persons' facilities. Further, many patients assume they must go to a facility listed on their physician's referral form, when in fact they can choose a hospital or any facility that offers the required service. In 2009, the Canadian Association of Radiologists noted that as many as 30% of CT scans and other imaging procedures across Canada contribute no useful information or are inappropriate. The Ministry estimated that about 20% of facility-fee tests are likely inappropriate.

- Unlike hospitals, facilities are assessed by the College to help ensure, among other things, that diagnostic images are correctly "read" by the physician, who is often a radiologist. However, as of March 2012, about 12% of facilities had not been assessed within the last five years. Even for the assessed facilities, the College assessors did not review the work of all physicians working at each assessed facility.
- As of March 2012, the Ministry's X-ray Inspection Services Unit (Unit) had not inspected almost 60% of facilities as frequently as required to ensure that radiation-producing equipment—for example, x-ray equipment—was appropriately shielded to prevent staff and patients from being exposed to excessive radiation levels.
- The Unit and the Independent Health Facilities Program (Program) areas did not regularly share information. For example, the Unit did not have the current location of 12 facilities that had moved, so the Unit had not inspected whether the radiation-producing equipment at the new locations for these facilities was safely installed. Further, the Unit's inspection reports on facilities were not routinely forwarded to the Program.
- Although the Ministry has attempted to improve patient service by introducing two websites listing, among other things, certain locations where patients can obtain diagnostic services such as x-rays and ultrasounds, neither site lists all locations offering these services. One of the websites, which lists all independent health facility locations and services, could be made more user friendly:
    - if it had search capability (for example, by postal code or service) to help patients locate facilities; and
    - if it included information on facility wait times for those services that historically do not have same-day access (such as MRIs and CTs) to help patients who want their tests as soon as possible.

Detailed Audit Observations

ACTIONS SINCE OUR 2004 AUDIT

Since our last audit in 2004, the Ministry has undertaken several initiatives related to independent health facilities, including the following:

- In 2006, the Ministry, in conjunction with the College of Physicians and Surgeons of Ontario (College), initiated unannounced reassessments of some facilities and in 2009 initiated more frequent facility assessments for facilities with previously identified significant issues.
- In 2008, the Ministry began receiving from the College the names of suspended physicians who had worked in facilities.
- In 2011, the Ministry commenced a review of independent health facility billings to identify questionable billing practices. This review was ongoing at the time of our audit.

ACCESS TO SERVICES

Distribution of Facility Services

Before the introduction of the *Independent Health Facilities Act* (Act) in 1990, organizations could offer health services outside of hospitals and charge patients a fee to cover their overhead costs. When the Act became effective, any organizations that were already providing the health services covered under the Act were "grandparented" if they sent a facility application to the Ministry and passed a quality assurance assessment by the College. As a result, these organizations were permitted to be licensed for the services they were providing, in the location where they were providing them at that time. Once licensed, they could bill the Ministry for their facility-fee costs, but were no longer permitted to bill patients for their overhead costs.

Assessing Service Levels

Since grandparenting those facilities in existence at the time the Act became applicable to them, the Ministry has approved only six new licences for facilities that bill the Ministry on a fee-for-service basis. However, facilities with licences may apply at any time to provide services they are not currently licensed to provide, in five service categories (radiology, nuclear medicine, ultrasound, pulmonary function studies and sleep studies) or their subspecialties, including mammography (a radiology subspecialty) and obstetrical and gynecological ultrasound (an ultrasound subspecialty). The Ministry will approve the request only if the area where the facility is currently operating is determined to be underserved for those diagnostic tests or procedures. The Ministry has divided the province into a total of 105 areas, primarily municipalities of varying sizes.

In response to a recommendation in our *2004 Annual Report*, the Ministry indicated that its Diagnostic Services Committee (with members from the Ministry, the Ontario Medical Association and the Ontario Hospital Association) was expected, among other things, to make recommendations concerning patient access to diagnostic services in underserved areas. This Committee was discontinued in 2008, and according to the Ministry, no such recommendations were ever made.

To assist in determining whether an area is underserved or overserved, the Ministry calculates the total number of services billed per capita by hospitals for outpatients and by independent health facilities in the Ministry-defined areas, and compares these to the provincial average. This calculation is performed for the five services as well as for more than 15 subspecialties within those services. As shown in Figure 2, both hospitals and independent health facilities perform a significant number of these services.

The Ministry does not have a benchmark for what constitutes a reasonable level of per capita diagnostic services. Therefore, the Ministry has defined an underserved area as any area providing less than 70% of the provincial average per capita service level. An overserved area is defined as any area providing over 150% of the average per capita service level. The Ministry determines all other areas (that is, those providing between 70% and 150% of the average per capita service level) to be adequately served. The Ministry indicated that, based on its analysis, overall there is an adequate supply of the five main services, with about 1,300 services per 1,000 people in Ontario.

But the Ministry has not, for the most part, analyzed the distribution of underserved and overserved areas across the province or over time. We analyzed the Ministry's data and noted that,

Figure 2: Number of Selected Diagnostic Services Performed by Hospitals and Facilities, 2010/11

Source of data: Ministry of Health and Long-Term Care

Type of Service	Hospital Outpatient Services	Facility Services	Total
Radiology (includes x-rays)	4,515,000	3,878,000	8,393,000
Ultrasound	2,152,000	4,267,000	6,419,000
Nuclear medicine[1]	752,000	432,000	1,184,000
Pulmonary function studies[2]	593,000	152,000	745,000
Sleep studies	43,000	106,000	149,000
Total	**8,055,000**	**8,835,000**	**16,890,000**

1. Patient tests using radioactive material (e.g., a small amount is administered and images are taken of where it goes in the body to observe blood flow through the heart or lungs).
2. A test to measure a patient's lung function.

according to the Ministry's definition, about 50% of Ontario municipalities (both rural and urban areas) had been consistently underserved and about 7% had been consistently overserved from the 2007/08 fiscal year to the 2010/11 fiscal year. We also noted that in some cases, an underserved area was next to an overserved one. For example, one underserved area with 632 services per 1,000 people in the 2010/11 fiscal year was next to an overserved area in which 3,299 services per 1,000 people were provided. The Ministry had not analyzed which areas it defined as underserved might in fact have adequate access to services that could be as close as a few kilometres away in neighbouring areas. Furthermore, the Ministry's most recent analysis of service availability per Local Health Integration Network (LHIN, the corporation mandated to work with local health providers to determine the health service priorities for its region, with the province being divided into 14 LHIN regions) was conducted in 2007. At that time, the number of services ranged from about 1,100 services per 1,000 people in one LHIN to almost 3,400 services per 1,000 people in another LHIN. Currently LHINs are responsible for planning and funding diagnostic services only in hospitals, but the Ministry indicated that it is considering the extent to which LHINs should be involved with planning and funding diagnostic services at independent health facilities in the future.

Furthermore, the Ministry does not age- or gender-adjust the population statistics used for its per capita analyses. Because diagnostic procedures tend to be required more frequently as individuals age, and some services are more likely to be provided to women rather than men, factoring in these demographics would result in more meaningful results. For example, obstetrical and gynecological ultrasounds are performed only on women, and bone mineral analysis is much more commonly performed on older adults, because bones become less dense with age. However, all per capita analyses conducted by the Ministry were based on total populations, and did not consider whether an area's population had, for example, a higher percentage of women or older adults.

The Ministry does not encourage facility owners to relocate to areas within the province that are underserved. Consequently, even though populations in certain areas of the province may have longer wait times for access to these diagnostic services, the Ministry's current method of approving new services to be offered by existing facilities may not be addressing the underservicing issue. The Ministry believes that community hospitals may be better able to meet local service demands in sparsely populated areas.

The Ministry indicated that, because independent health facilities provide only a small portion of other services such as Magnetic Resonance Imaging (MRI) and Computed Tomography (CT), its analysis of the per capita levels of these other services by LHIN generally excludes those provided by facilities. However, we noted that the per capita counts of CT and MRI machines would rise by at least 10% to 50% if machines performing the services at the facilities were included.

Changing Facility Locations

In order to ensure service availability across Ontario, especially in areas that the Ministry has determined are underserved, independent health facilities are required to obtain ministry approval before relocating their operations. The Ministry permits facilities to relocate only within their current Ministry-defined area, or to within five kilometres of the current location if crossing into another area. Further, the Ministry will deny any move if a hospital within one kilometre of the proposed new location objects. As well, the Ministry will not approve moves from an overserved area to an underserved area if the move violates any of these rules. In 2011, the Ministry approved 47 facility moves.

We noted that some Ministry-defined areas are quite large, whereas other areas are small. For example, facilities within the city of Ottawa, which is almost 2,800 square kilometres, have many more options for where to deliver services as compared to facilities located within the city of St. Thomas, which is about 40 square kilometres. Facilities located in the city of Toronto can move anywhere within it. We also noted that there were several donut-shaped areas (generally made up of the areas surrounding a city) that facilities could move around in, but they generally could not move to the city within the centre of the area, and facilities in the centre generally could not move to the donut-shaped area.

The Ministry indicated that many facility owners would like to relocate from less populated areas to more population-dense locations. Consequently, certain owners have attempted to "leapfrog" from their current location to a more populated location. For example, in one case, over a four-year period, a facility applied to move seven times, two of which were approved and five of which were denied due to exceeding both the five-kilometre rule and crossing an area boundary. While these relocation controls are undoubtedly necessary, we expected that the Ministry would have considered what changes could be made to encourage facilities to move from overserved to underserved areas.

Future Independent Health Facility Services

The Ministry has analyzed the cost of providing certain services conducted in hospitals compared with the cost of providing those services in the community and has determined that money could be saved by moving various services, particularly less medically complex ones, out of hospitals and into community-based clinics, such as independent health facilities. Specifically, the Ministry estimated that MRIs and dialysis, as well as colonoscopies and echocardiograms (ultrasounds of the heart), are less expensive—by a range of about 20% to 40%—if delivered by a community provider rather than in a hospital. At the time of our audit, most of these services were more frequently delivered in a hospital setting than in the community.

Ontario's Action Plan for Health Care (Plan), released by the Ministry in January 2012, notes that more routine procedures may be moved in the future out of hospitals and into community-based clinics, such as independent health facilities. The Plan specifically notes that more cataract procedures will be conducted by an existing independent health facility because the facility can do them at a lower cost than a hospital can. Although not mentioned in the Plan, the Ministry indicated to us that, in the 2013/14 fiscal year, it expects to increase the number of MRIs offered in one existing independent health facility, also at a lower cost than in hospitals. At the time of our audit, the Ministry had no other specific plans to move any other services to community facilities.

RECOMMENDATION 1

To help ensure that Ontarians have timely and convenient access to required tests and procedures, the Ministry of Health and Long-Term Care should:

- better identify areas within the province where the combined levels of services offered by hospitals and independent health facilities indicate that the area is underserved (for example, by analyzing population and gender distribution within each area and determining the resulting needs for services); and
- develop ways to help address patient needs in regions identified as underserved, such as offering incentives to encourage facilities to provide services in underserved areas or reviewing policies that restrict a facility's ability to move into underserved areas.

MINISTRY RESPONSE

The Ministry is pleased that the Auditor has referenced the Minister's Action Plan for Health Care, which communicates our commitment to ensuring access for all Ontario residents to appropriate health-care services, including timely and convenient access to required tests and procedures. Through the Action Plan, more services will be provided in the community and under a variety of service delivery models suited to the service type and community health-care needs. The Independent Health Facility (IHF) model of service delivery provides a strong foundation for moving more diagnostic tests and procedures into the community.

To support the move of more services into the community and to ensure that services are planned and delivered in accordance with local and regional population needs, the Ministry is:

- actively exploring opportunities for joint planning between the Local Health Integration Networks and IHFs to ensure the right mix and distribution of diagnostic tests and procedures to meet local health needs and to better identify areas within the province where the combined levels of services offered by hospitals and IHFs indicate that the area is underserved; and
- enhancing the planning relating to the volume of services delivered in the community and closer to home for patients, with consideration to incentive options to attract IHF service providers to underserved areas, as well as reviewing its IHF relocation policies to better facilitate the movement of diagnostic tests and procedures to underserved areas.

BILLINGS

Funding Arrangements

Fee-for-service Facilities

Fee-for-service independent health facilities (for example, x-ray and ultrasound facilities) are paid a standard facility fee for each type of service performed. These fees were negotiated between the Ministry and the Ontario Medical Association (OMA, the bargaining organization that represents physicians in Ontario) and are intended to reflect the approximate overhead cost (including rent, staffing, supplies and equipment) of performing each service. The rates are set out in the Schedule of Facility Fees for Independent Health Facilities. Each facility fee has a corresponding professional fee that the physician can charge for performing the test or interpreting the test results. Professional fees, which are also negotiated between the Ministry and the OMA, are set out in the Ontario Health Insurance Plan's Schedule of Benefits. Figure 3 lists the top five facility fees billed, the volume of each service, and the corresponding professional and facility fees per service. The Ministry did not have information available on the total professional fees billed for these services.

Between 1992 and 2005, the Ministry made some across-the-board decreases and one increase to the Schedule of Facility Fees for Independent Health Facilities. From 2005 on, no changes were made until May 2012, when the Ministry implemented a 2.5% across-the-board reduction in facility fees and a 5% reduction in their associated professional fees "in recognition of the latest evidence, improvements in technology, and changes in standards of care." Reductions were also implemented for certain other service fees, such as those for colonoscopies.

All facilities are paid the same amount for each service, no matter where the facility is located or how many services it provides. Consequently, larger facilities can benefit from economies of scale because certain costs, such as rent and the salaries of reception staff, do not increase proportionately with the number of services performed.

A 2000 report produced by the Committee on Technical Fees (members of which included the Ministry, the OMA and the Ontario Hospital Association) noted that "cost reimbursement should be used as the underlying principle for the funding of technical components of diagnostic services" and acknowledged that most of the facility fees had not been set through a rigorous costing process. The Committee suspected that with the introduction of

Figure 3: Top Five Total Facility Fees Paid, 2010/11, and Associated Fee Levels

Source of data: Ministry of Health and Long-Term Care

	2010/11		As of April 1, 2011 ($)	
Type of Service	**Total Facility Fees Paid ($ million)**	**Volume**	**Facility Fee Paid per Service**	**Professional Fee Paid per Service**
Chest radiology (x-rays–2 views)	20.0	826,000	24.18	11.30
Pelvic ultrasound–complete (physician present at time of service)	17.7	355,000	50.00	32.30
Pelvic ultrasound–complete (physician not present at time of service)	16.4	328,000	50.00	24.20
Sleep study (initial diagnostic)	15.5	41,000	380.25	128.30
Ultrasound of vagina or rectum	14.6	291,000	50.00	24.20

new technology and equipment (which make some services less time-consuming to perform), some fees did not accurately reflect the costs, and noted that there was a lack of information on the extent to which fees deviated from actual costs. Therefore, the Committee recommended that the fee schedule be reviewed as soon as possible, and suggested that an appropriate costing methodology would ideally incorporate factors such as the economies of scale available to high-volume facilities.

In our *2004 Annual Report*, we recommended that the Ministry "objectively determine the current cost of providing each type of service and examine the relationship between the volume of services provided and the costs of providing services." At that time, the Ministry indicated that the Diagnostic Services Committee would be reviewing this area. But this Committee was discontinued in 2008, without completing any such analyses, making any related changes to the fee schedule or doing any work to assess the current overhead costs of running a facility.

The Ministry did, however, provide us with a 2008 Jurisdictional Comparison of Medical Imaging Systems prepared by another province involving five Canadian jurisdictions, using data from the 2006/07 fiscal year. The comparison found that, at that time, Ontario's facility fees were often lower than fees paid by other provinces. However, the Ministry has not investigated whether this is still the case, using updated data on the other jurisdictions' fee levels. We noted that both British Columbia and Alberta provided a range of services, both surgical and diagnostic, in community clinics but they did not have separate professional and facility-cost fees; rather, the entire payment was combined in one fee. We compared the combined facility and professional fees paid in Ontario for three services to the fees paid for the same services in British Columbia and noted that the Ontario fees were within 6%, more or less, of the fees paid there.

In April 2011, the Ministry requested that the OMA (representing physicians), the Ontario Hospital Association (representing hospitals) and the Coalition of Independent Health Facilities (representing facilities) submit facility-fee funding options to it by October 2011. The Coalition's response did not suggest any funding options; it focused on structuring future funding discussions. Neither the OMA nor the Ontario Hospital Association submitted options, although both were given an extension until March 2012 to do so. The Ministry indicated that it did not expect any further submissions relating to facility fees from the OMA or the Ontario Hospital Association, because the renegotiation of the Physicians Services Agreement, which sets out compensation for physicians, was the key priority in 2012.

As previously noted, the Ministry will not approve new services for a facility if the area is overserved for the services in question. But facilities can increase the number of services they currently provide at their existing locations by purchasing, without ministry approval, additional diagnostic equipment—the Ministry's licence with facilities requires only that they inform the Ministry within 30 days of new equipment being purchased. More equipment leading to more services being provided results in the Ministry paying more facility and professional fees. But if the facilities providing the services are in an underserved area, the area benefits from the increased service availability.

In contrast to the unlimited number of services that facilities can receive payment for, laboratories, which are also funded on a fee-for-service basis, are subject to a provincial maximum funding level for all labs across the province as well as a maximum that applies to each laboratory.

Negotiated Contract Facilities

The Ministry funds 35 facilities, including facilities performing MRIs and cataract surgery, through negotiated contracts for providing an established volume or number of hours of services. If a facility performs fewer services than the contracted amount, the Ministry reduces the facility's funding. Facilities performing more than the contract amount do not receive additional ministry funding.

The contracted dollar amount (based on volume and hours) for facilities that were "grandparented" when the legislation was introduced was determined through negotiations between the Ministry and the facilities. Subsequently, in seven cases, the Ministry approved MRI and CT services, which had not previously been covered under the Act, through a competitive process. For other new services, such as cataract surgeries, the Ministry negotiated directly with known providers, as permitted under the *Independent Health Facilities Act*. In all cases, subsequent contracts are negotiated between the Ministry and each facility.

In 2004, the Ministry established an Expert Panel to help improve, among other things, access to, and the quality and efficiency of, MRI and CT services in hospitals and independent health facilities. The Panel's 2005 report indicated that these services were not being delivered efficiently. In the case of MRIs, this was primarily due to the Ministry's having allocated a longer-than-necessary time for certain types of MRI procedures and paying facilities for rerunning MRIs when the facility made an error. In the case of CT scans, the report indicated that the tests should take 20 minutes regardless of which body part is being scanned, whereas the contract rates were based on estimated times per service that were, on average, more than 60% longer. The Ministry told us that it did not at that time consider the rate reductions for CT scans suggested by the Panel to be appropriate for facilities, although it had no analysis supporting its conclusions. When renegotiating five-year contracts between 2007 and 2009 for the five independent health facilities performing MRIs, the Ministry again did not consider the Panel's recommendations. On the other hand, a couple of years after these contracts were negotiated, the Ministry did approach these MRI facilities regarding a rate reduction. While some of them agreed to reduced rates, the others refused. The Ministry continued to pay these facilities at the 2007 contract rate while paying the other facilities the reduced rate. The Ministry indicated that it expected to negotiate a reduced rate with the other facilities when the contract is renewed in 2012.

With most negotiated contracts, the Ministry does not periodically confirm that the rates paid are reasonable. Although it might not be practical to always conduct a competitive process, the Ministry could, for example, periodically obtain information from other jurisdictions or otherwise periodically review costs to help obtain assurance on the reasonableness of the rates. Because facility fees are not being periodically reviewed, there is a risk that some services are increasingly expensive to provide, but more of a risk that technological improvements have resulted in facility fees significantly exceeding the actual cost of performing the services.

Referrals for Service

Patients generally require a physician's referral in order to obtain services from an independent health facility. The Health Council of Canada indicated in its 2010 report *Decisions, Decisions: Family Doctors as Gatekeepers to Prescription Drugs and Diagnostic Imaging in Canada* that increased access to diagnostic imaging has "allowed for increased use of diagnostic imaging, some of which may be considered over-use." The report noted research indicating the overuse of diagnostic imaging, but concluded that it is difficult to say why and by how much. In this regard, the Canadian Association of Radiologists' website notes that as many as 30% of CT scans and other imaging procedures across Canada contribute no useful information or are inappropriate. Studies from other jurisdictions also indicate the incidence of potentially inappropriate imaging. On the basis of studies in two other jurisdictions, the Ministry estimated that about 20% of facility-fee billings in Ontario are likely inappropriate—for example, due to unnecessary testing.

In some cases, the physician referring the patient is the physician who performs the service, or otherwise works at or owns the facility to which the patient is being referred. This is called "self-referral," because the physician is referring the patient to him- or herself. Physician self-referrals can improve patient care in certain situations: for example, ultrasounds of the eye may be ordered and completed by an ophthalmologist to help diagnose and treat suspected eye disease earlier. However, various studies, including a *Journal of the American Medical Association* article published in 2012, have indicated that "evidence continues to mount showing that physicians with ownership stakes in imaging equipment are more likely to refer their patients for imaging tests than physicians who send their patients to radiologists for independent imaging." The article further noted that "when physicians can refer to scanners they own, [and] there is no third-party oversight, they might be making subconscious decisions to image."

One condition for maintaining a licence for a fee-for-service facility is ministry approval of any changes in the facility's controlling ownership; in the calendar years 2008 through 2011, more than 175 such changes were approved. Facilities are required to confirm ownership every five years as part of their licence renewal. In addition, some owners forward documents indicating the date on which changes were made in share ownership. However, the Ministry does not otherwise periodically ask facilities to confirm ownership by, for example, having owners tick a box on a form and sign if ownership has not changed or state changes in writing and sign. As a result, the Ministry spends extensive administrative effort in tracking ownership structures.

Although the Ministry estimates that about half of Ontario's facilities are fully owned or controlled by physicians, it has not analyzed patterns of referrals by these physicians to their own facilities. The Ministry also does not have information on whether the physicians who refer patients to a given facility have a spouse or other direct relative who owns part or all of the facility. The Ministry could use a form confirming ownership to also periodically confirm whether the owner(s) or any of their immediate family are physicians.

In May 2012, the Ministry proposed to pay only 50% of the facility and professional fees for services where a physician referred a patient to the clinic the physician worked at. The Ministry had not, however, estimated the impact of this 50% reduction on independent health facilities, although ministry documents indicate that some facilities might be forced to close operations and that there was a potential reduction in the quality and safety of imaging or testing services because clinics might use "shortcuts" to reduce costs in order to remain viable. Furthermore, the Ministry generally did not have any information on what might be a reasonable proportion of self-referral tests and what proportion appeared excessive and thereby warranted follow-up. In June 2012, in response to concerns raised by the Ontario Medical Association, the Ministry announced that it was establishing a panel to review physician self-referrals and would wait for the panel's recommendations before changing the fees related to self-referrals.

Verifying Billings

As shown earlier in Figure 1, total payments to facilities have increased by about 4% a year, from $348 million in the 2006/07 fiscal year to $408 million in 2010/11. In particular, facility-fee payments for diagnostic services increased by about 4% a year, from $323 million to $377 million. However, ultrasound services increased by 7% a year, from $130 million to $173 million, over this time period. More specifically, with 12 ultrasound services, both numbers of services performed and payments increased by more than 50% between 2006/07 and 2010/11. For example, the number of ultrasound billings under the code "miscellaneous extremities charge per limb" increased 130% from 2006/07 to 2010/11 or over 20% per year on average, from a total of $2.9 million to $7.5 million. Facility fees have changed very little, so most of this change was due to increases in the volume of services provided. Total payments for contracted services (such as dialysis and abortions) increased from $31 million in 2006/07 to $41 million in 2010/11. The biggest increase was due to the Ministry providing one-time funding in 2010/11 for the replacement of about 70 dialysis machines at the facilities offering dialysis services. Although the Ministry reviews service volumes and their effect on total costs to some extent for contracted services, it has not reviewed the reasons for changes in the volume of fee-for-service payments.

The Ministry indicated that historically it has informally identified (for example, through complaints and assessments of facility expansion applications) questionable facility billing practices a few times a year, resulting in about one referral a year to the Ontario Provincial Police. In November 2011, the Ministry began a claims integrity project, which involved reviewing the data on facility-fee claims for the 2010/11 fiscal year. This review identified that about 25% of operating facilities had some unusual billing patterns. For example, five facilities were billing more than 500 and up to 2,200 combined head and pelvis ultrasounds on the same visit for patients, whereas most facilities billed fewer than 50 of this ultrasound combination. According to the Ministry, this diagnostic combination is expected to occur only rarely, because few patient conditions can be diagnosed by using it. Despite this being a good analysis, the Ministry believed that many of the unusual billings could be resolved through educating facilities on appropriate billing practices and indicated that it was developing educational materials that would be shared with facilities starting in fall 2012. In addition, although the Ministry provided us with a list of potential additional data analyses that might identify other inappropriate billing practices, no plans were in place to conduct such analyses.

The Ministry provides the College of Physicians and Surgeons of Ontario with detailed information on the services billed by each facility. However, the College informed us that although it does receive patient-care data from the Ministry, this information is not provided to assessors and that the assessors' role does not include any claims verification processes. Rather, the College indicated that assessors are provided with only the number of patients who received a particular service within a particular time—for example, the previous few months. The College's assessors select a sample of procedures performed on patients based on information provided by the facility visited to ensure, among other things, that each has an appropriately authorized requisition from a physician. However, the assessors do not test whether the procedures billed to the Ministry were actually performed. We also noted that the Memorandum of Understanding between the Ministry and College did not state that assessors were expected to check facility billings to the Ministry, either by using data from the Ministry or by any other method.

Facilities are to send the Ministry information on when physicians start or stop working at the facility.

The Ministry indicated that it will pay only those billings from a facility that relate to physicians who are listed as working at that facility. Physicians sign the form that facilities submit that states the physician's start date, but when facilities submit the form that states a physician has left, the physician generally does not sign the form, nor is a departure date indicated. As well, every facility fee billed to the Ministry generally should have a corresponding professional fee billed by the facility physician who interpreted the diagnostic test or, in the case of surgery, performed the procedure. The Ministry indicated that it does not periodically reconcile or spot-check the facility fees and the professional fees billed by facility owners and physicians, respectively, to identify discrepancies.

RECOMMENDATION 2

To enhance the cost-effective management of the Independent Health Facilities Program, the Ministry of Health and Long-Term Care should:

- periodically review the fee it pays to independent health facilities (to cover staffing, equipment and other overhead costs) by assessing the actual costs of the services and by making periodic comparisons to other jurisdictions;
- consider alternatives for better managing the volume of fees chargeable by facilities in overserved areas, such as requiring these facilities to obtain ministry approval before increasing capacity by buying more equipment;
- consider requiring facility owners to declare all potential conflicts of interest to the Ministry, and periodically review billing data to identify facilities with unusual billing patterns, including billings resulting from unexpectedly high levels of self-referrals of patients by physicians who own or work at that facility, or who are related to someone who owns the facility—and follow up with these facilities; and
- for selected services, periodically verify that facilities have billed the Ministry only for services provided to patients—for example, through matching facility billings to physician requisitions or to the associated physician's professional fees for the same service.

MINISTRY RESPONSE

The Ministry will consider the feasibility of conducting an inter-jurisdictional review and a relative-value-to-cost analysis of the technical fees that it pays to Independent Health Facilities (IHFs).

The Ministry agrees that information about equipment that is purchased by IHF operators is of interest. In this regard, the Ministry established a grant program in the 2011/12 fiscal year to assist IHFs in the purchase of digital equipment and is considering a second year of grant funding for this purpose. Furthermore, the Ministry is considering capacity planning at the local level involving the Local Health Integration Networks, as well as possibly requiring approval prior to capacity expansion by IHFs operating in overserved areas.

The Ministry is concerned about self-referral and ensuring appropriate utilization of diagnostic and imaging services in Ontario, including services rendered in physician-owned facilities. The Ministry's Expert Panel on Appropriate Utilization of Diagnostic and Imaging Studies is expected to make recommendations in fall 2012 regarding the appropriate utilization of diagnostic and imaging services rendered in various professional settings, including IHFs. The recommendations, when received, will be fully reviewed with the Ontario Medical Association and actions will be formulated to address issues relating to self-referral and appropriate utilization in Ontario, including in the IHF sector. As well, the Ministry agrees that the level of physician ownership or material interest in an IHF business operation is of interest and is actively exploring mechanisms to require that physicians report this information.

In addition, the Ministry is taking further action to implement processes to monitor and manage utilization through proactive claims-data analyses, provider outreach and education, clinic audits, and payment recovery processes. The clinic audit process would include verification processes to ensure that facilities have billed the Ministry only for services they have provided to patients.

PERFORMANCE MONITORING

College of Physicians and Surgeons of Ontario Quality Assurance Assessments

To help ensure the quality of services, all facilities are required under the Act to have a quality adviser, who is responsible for advising the owner about the facility's quality and standards of services. Facility owners who are physicians may appoint themselves as the facility's quality adviser. To obtain independent assurance on the quality of the services provided by facilities, the Ministry has entered into a Memorandum of Understanding (MOU) with the College of Physicians and Surgeons of Ontario (College), the professional oversight organization for physicians in Ontario. Under this agreement, the College is to conduct quality assurance assessments of the services provided by facilities using "Clinical Practice Parameters and Facility Standards" (Standards) developed by the College.

The assessments are conducted by College-appointed assessors—usually a team of one physician and one technologist who have experience in the facility service(s) being assessed. Assessors generally spend about a day at a facility and then submit a report to the College. This report indicates whether the facility met the Standards and provides detailed observations to support the conclusion, as well as recommendations for improvement if needed. Once reviewed by the College, the report is forwarded by the College to the Ministry.

If the facility does not meet the Standards, the report is reviewed by the Ministry's medical consultant, who advises the Ministry on any additional actions that should be taken. When requested to do so by the Ministry, the College will conduct a reassessment, and occasionally focused assessments to follow up on certain issues. The Ministry may act to suspend or revoke licences based on the assessment report's recommendations.

The Ministry paid the College about $1.5 million for conducting the quality assurance processes at facilities, which included more than 200 facility assessments in the 2010/11 fiscal year. At the time of our audit, the Ministry and the College were negotiating a revised MOU, which was expected to require the facilities to pay the College for conducting assessments, rather than the Ministry paying the College.

Determining Assessor Independence

Because assessors must have experience in the area that they are reviewing, most of the physicians and technologists who perform facility assessments for the College regularly work in hospitals and/or independent health facilities. To help prevent potential conflicts of interest between an assessor and the facility that he or she is assessing, the College verbally asks assessors if they have any potential conflicts (after providing examples of what would constitute a conflict, such as being related to someone or having previously worked with someone at the facility to be assessed). Assessors are generally not permitted to assess a facility with which they have a conflict. However, the College does not require assessors to sign a document declaring that they have no conflicts.

Although the College is responsible for appointing facility assessors, because of the competitiveness of certain facilities, facilities have the option to reject an assessor and have an alternate appointed in certain situations (such as potential conflicts of interest). The College informed us that facilities exercise this option about 2% of the time.

Scheduling Assessments

The Ministry uses its database, which includes the dates of all facility assessments and reassessments, to identify which facilities it will request the College to assess during the next year. The Ministry's general policy is to have each facility assessed every five years. It provides that year's list to the College, which is responsible for scheduling assessments with each facility.

We found that, as of January 2012, the College had not assessed within the previous five years about 12% of the facilities that should have been assessed. The Ministry indicated that assessments could be delayed for various reasons, including a lack of assessors with service-specific knowledge (for example, the College indicated that assessors for sleep study clinics are difficult to find because fewer people specialize in this area) and facilities postponing assessments because of proposed moves to other locations.

In our 2004 Annual Report, we recommended that the Ministry consider having the College perform at least some assessments without advance notice. At the time of our current audit, facilities were always provided with at least six to eight weeks' notice so that they could prepare for the visit. (Reassessments may be unannounced, as discussed further under Following Up on Assessments.)

Conducting Assessments and Reporting Assessment Results

The College's assessors use a checklist based on the College's "Clinical Practice Parameters and Facility Standards" (Standards) to conduct their assessments. The Ministry has a copy of the Standards but generally does not receive a copy of the checklists used. To complete the checklist, assessors select and review a sample of test images (in the case of diagnostic facilities) and/or patient charts, surgical notes, and so on (in the case of dialysis and surgical clinics); where possible, they also observe tests being performed on patients. We noted that the College's sampling guideline recommended using the same minimum sample sizes (between 10 and 15 per type of service provided, depending on the type of facility) for all facilities providing a particular service, regardless of the number of procedures provided by the facility. We also noted that the assessors' approach to choosing this sample did not ensure that they reviewed the work of all professionals at the facility.

After it receives the assessors' report, the College is to report assessment results to the Ministry within three to 20 business days, depending on the seriousness of the assessment results (these time frames were implemented in 2005). We noted that the College generally met these deadlines in the 2010/11 fiscal year. But there is no established deadline by which assessors must report results to the College. We noted that the time between the assessment date and the date that the Ministry received the assessment results from the College was a median of 47 days in the 2010/11 fiscal year, with 90% of reports being received within 84 days. Most of this longer time frame was the time between the assessment date and the College's receipt of the report from the assessor.

The assessment results provided to the Ministry rate facilities on a scale of one (the highest rating: the facility is following the required standards, and there are no recommendations) to five (the lowest rating: patient care is at risk, and recommendations may include the immediate closure of the facility). Between January 2007 and January 2012, more than 80% of the approximately 1,100 facilities that were assessed were rated as meeting the standards with few or no significant recommendations (that is, the facilities received one of the top two ratings).

Following Up on Assessments

The College generally determines whether facilities require any additional follow-up after an assessment, based on feedback from its assessors. Follow-up can range from requiring the facility to forward documents, such as an action plan detailing how it will address identified deficiencies, to the Ministry requesting the College to conduct a reassessment.

Reassessments are generally conducted three months to a year after the original assessment, based on the College's judgment. Six facilities were reassessed in the 2010/11 fiscal year.

In our 1996 and 2004 Annual Reports, we noted that the Ministry and the College had not agreed on timeframes for the College's follow-up activities, and recommended that the Ministry update its Memorandum of Understanding with the College to incorporate such timeframes. However, no timeframes were in place at the time of our current audit.

The Ministry can ask the College to conduct its planned reassessments on an unannounced basis. In these cases, the College either sends assessors in completely unannounced or notifies the facility that an assessment will be conducted within the next month, without providing a specific date. We noted one case where the facility denied the assessors entry on two "unannounced" occasions in 2010 before providing access in March 2011, even though the *Independent Health Facilities Act* states that all facility owners are required to co-operate fully with assessors. However, the Act has limited penalties for refusal to co-operate, and the College told us that it does not have any authority to impose penalties in this situation.

In the 2009/10 fiscal year, to obtain more assurance that facilities with previously identified and rectified problems were continuing to meet standards, the Ministry asked the College to assess certain facilities every two to three years, rather than the standard five years. In the 2010/11 fiscal year, the College conducted 26 of these mid-cycle assessments.

Inspections Conducted by the X-ray Inspection Services Unit

While the College's standards require facilities to check radiation-producing equipment every six months, the Ministry is responsible under the *Healing Arts Radiation Protection Act* (HARP Act) for periodically inspecting a facility's radiation-producing equipment, including primarily the equipment used to perform x-rays but also the equipment used for CT scans and fluoroscopy (which involves a series of x-rays that produce a continuous moving image on a monitor, giving, for example, a picture of the movement of contrast dye through a patient's body). The Ministry's X-ray Inspection Services Unit (Unit) is responsible for these inspections, as well as for ensuring the appropriate initial installation of radiation-producing equipment (for example, sufficient lead in the walls for shielding). The Unit also ensures that x-ray equipment does not produce radiation in excess of standards set out in the HARP Act. Radiation produced by CT equipment is not reviewed by the Unit because there are no similar standards for CT equipment.

The Unit is responsible for inspecting just over 7,600 locations—including hospitals, dental sites and more than 450 independent health facilities—with radiation-producing equipment. In the 2011/12 fiscal year, the Unit inspected a total of nearly 1,700 locations, including about 70 independent health facilities.

The Unit has four inspectors who perform announced visits that are scheduled using risk-rankings for the various types of facilities. For example, independent health facilities are required to be assessed within one year of opening a new location and every two to three years after that, unless they receive a ranking of "bad" as a result of an inspection, in which case they are inspected annually until the situation is rectified. Ministry policy is to inspect all radiation-producing equipment at new locations and about 25% of the equipment at established locations. The Unit cannot easily determine the percentage of facility equipment tested because it did not document all equipment in use at the inspected facilities. We also noted that ministry policy does not indicate that inspectors should ensure that all equipment is tested over time; rather, the policy indicates that higher-risk equipment, such as fluoroscopy equipment, should be tested.

We reviewed the data from the Unit's inspection database and found that as of March 2012, almost 60% of the independent health facilities had not been assessed within the Unit's prescribed time frames. Furthermore, the Ministry could not determine how many of these facilities were new or how many had been rated as "bad" in their last inspection.

The Unit does not rely on the work of other oversight entities, including the Canadian Association of Radiologists, the Ontario Association of Radiologists and the Ontario Breast Screening Program, all of which review certain types of radiation-producing diagnostic imaging equipment, including equipment in independent health facilities. The work of these organizations might enable the Unit to reduce its time at some facilities and focus its efforts on facilities and/or equipment that are not otherwise being tested.

The Ministry had no policies or procedures on what type of information should be exchanged between the Unit and the Ministry's Independent Health Facilities Program; rather, communications occur at the discretion of staff in each ministry area. We noted that minimal communication or exchange of information took place between the Unit and the Program. For instance, the Unit's inspection system and the Program's database were not linked, and although the Ministry indicated that data comparisons to identify discrepancies could be conducted manually, this has not been done. As a result, for example, the Unit incorrectly categorized almost 40 independent health facilities as dental offices, which are generally inspected every five years rather than every three years for independent health facilities. The Unit also had two facilities that were actually open incorrectly listed as "closed" and did not have current information on 12 facilities that had moved more than a year previously. Furthermore, the Unit's inspection reports were not forwarded to the Program—although the inspection staff told us that they would inform the Program of any significant issues.

Ministry Monitoring

Suspensions and Revocations of Licences

The *Independent Health Facilities Act* (Act) states that the Ministry can revoke, suspend or refuse to renew a facility's licence for a variety of reasons. Problems can include quality assurance issues (such as equipment requiring maintenance) and operational issues (such as facilities operating out of unapproved locations; ceasing to operate for at least six months without taking reasonable steps to prepare to reopen; or transferring over 50% of a facility's ownership without obtaining ministry approval).

The Act allows the Ministry to immediately suspend a facility's licence if there is an immediate risk to a patient's health or safety. We noted that the last suspension occurred in 2011. The Ministry indicated that in most cases, there is no immediate risk to patients. In these cases, under the Act, the Ministry issues a "proposal to suspend" a facility's licence, an approach that provides the facility with time to correct any identified quality assurance problems in order to avert a licence suspension. Between January 2007 and January 2012, the Ministry issued such notices to 32 facilities. The Ministry ultimately suspended seven for not taking the required corrective action on a timely basis.

The Ministry can revoke the licence of suspended facilities that do not correct identified problems, as well as facilities with operational issues. The Ministry's records indicated that six licences were revoked from January 2007 through January 2012. Most of these revocations occurred because the facility had ceased operations for more than six months and did not make sufficient efforts to reopen.

When the Ministry proposes to suspend or revoke a licence, the Act allows the facility owner 15 days to request a hearing with the Health Services Appeal and Review Board. Facilities that request a hearing can continue to provide services to patients and bill the Ministry until the Board makes a decision. We noted that between January

2007 and January 2012, facilities requested hearings regarding seven proposals to revoke. Of the 21 hearing requests that were resolved between January 2007 and January 2012, 17 were settled between the Ministry and the facility owner before the Board reached a decision, three were not pursued by the facility owner, and the Board made a decision on the remaining one. Most of the 17 that were settled involved three facility owners. We also noted that the average time from request for hearing until resolution was about five years for quality assurance issues and two years for operational issues.

Even though the Act gives the Ministry significant discretion regarding whether or not to license facilities if it has reasonable grounds to believe that a facility is not being operated in accordance with the law or with honesty and integrity, this provision is rarely used. For example, the Ministry licensed an owner to provide a new service even though ministry staff had identified significant concerns about this owner's billings the year before (a full investigation of the billings irregularities was still under way when the owner was licensed for the new service).

Other Monitoring Activities

The Ministry is made aware of activities or circumstances that constitute a contravention of the Act in a number of ways, including complaints by the public and other facility owners. However, the Ministry has no information about complaints made directly to facilities. The Ministry tracks the complaints it receives (mostly from the public) that indicate quality-of-care deficiencies or other violations of the Act. About 35 such complaints were tracked in 2011, with over half pertaining to quality assurance issues such as equipment not being disinfected between patients and facility staff not behaving professionally. The Ministry's complaint follow-up activities varied depending on the nature of the complaint. For example, in two cases the Ministry asked the College of Physicians and Surgeons to conduct a focused facility assessment to review the issues.

The Ministry also conducts other administrative activities to ensure compliance with the Act, some of which may involve time-consuming processes. For example, as previously noted, ministry staff make extensive efforts to track information on facility owners. And every month, ministry staff manually review a report on facility billings, track which facilities have not billed in the previous six months and send a letter to those facilities. The letter asks the facility to either confirm that it has ceased operations or provide the steps it is taking to reopen. A follow-up letter is issued after an additional six months if necessary, and if billings do not begin again, more progressive actions, such as a proposal to revoke the facility's licence, are undertaken. Between January 2007 and January 2012, the Ministry sent about 200 letters regarding 100 facilities that did not bill for at least six months.

While these may be worthwhile efforts, we expected that the Ministry would have assessed whether its time might be more effectively used following up on those facilities with unusual or possibly inappropriate billing practices, as discussed previously.

RECOMMENDATION 3

To better ensure that independent health facilities are providing services according to quality medical standards established by the College of Physicians and Surgeons of Ontario (College) and are meeting other legislated requirements, the Ministry should:

- work with the College to ensure that every facility is inspected at least once between each five-year licence renewal for that facility;
- consider including additional expectations in its Memorandum of Understanding with the College, such as:
  - requiring assessors to review the quality of each physician's work at the facility; and
  - requiring that assessment results for facilities with significant issues be more

promptly reported to the Ministry after the assessment;

- consider, when next reviewing the *Independent Health Facilities Act*, adding penalties for facility owners who refuse access to the College's assessors when they arrive unannounced;
- develop policies and procedures to improve information-sharing between the Ministry's Independent Health Facilities Program and its X-ray Inspection Services Unit, including information on the location of facilities offering x-ray services as well as information on inspection results, so that each has the most current information available on the facilities they oversee; and
- consider options for streamlining the monitoring of facilities' activities, including determining whether the Ministry's X-ray Inspection Services Unit can rely on the work of other professional or federal oversight entities to enable it to focus its activities on the newer or higher-risk facilities.

MINISTRY RESPONSE

The Ministry is working with the College to ensure that every independent health facility is inspected at least once within the five-year renewal cycle. Although there may be exceptional circumstances (for example, where services are not currently being provided or when a facility is in the process of relocating, changing owners or expanding the scope of services being provided), the Ministry will work closely with the College to minimize such exceptions.

The Ministry agrees with the recommendation with respect to requiring assessors to review the quality of each physician's work. At this time, the College is in the process of aligning the quality assurance assessment program for independent health facilities with its peer review program for physicians, to ensure that radiologists are peer-reviewed at the same frequency as other physician specialties. As well, with respect to the College's prompt reporting of facilities with significant issues to the Ministry, a working group has been established to review reporting policies and to suggest appropriate standards for the turnaround time from the date of assessment to notifying the Director of significant issues.

The Ministry will consider implementing penalties or other appropriate provisions in situations where facility operators deny access to the College's assessors.

Patient safety is a ministry priority. The X-ray Inspection Unit is embarking on a review of its inspection delivery model and is collaborating with other branches of the Ministry in a broader review of the *Healing Arts Radiation Protection Act* (HARP Act) to identify options to enhance the oversight of x-ray machines in Ontario. The Ministry has made a specific commitment to review the current HARP Act to identify opportunities that would help promote continuous improvement in the safe use of radiation-emitting medical imaging devices.

COMMUNITY HEALTH-CARE CLINICS NOT COVERED BY THE ACT

Community health-care clinics fall into two categories:

- those that are covered by the *Independent Health Facilities Act* (Act), which we refer to throughout this report as "independent health facilities" (facilities), and
- those that are not covered by the Act, which we refer to as "community health-care clinics" (or community clinics).

In our 2004 audit of independent health facilities, we noted that some diagnostic procedures, such as colonoscopies, were not licensed services under the Act and were therefore performed at community health-care clinics not covered by this legislation. We also observed that a licensed service, abortion, was being performed both in independent health facilities and in community clinics. At that time, neither community clinics providing colonoscopies nor community clinics providing abortions were subject to the College's quality assurance assessments.

In 2007, the Ministry licensed one independent health facility in Northern Ontario to provide, among other things, colonoscopies. The Ministry had no documented rationale for why only this community clinic was licensed as a facility to provide colonoscopies. At the time of our current audit, the Ministry had no information on the number of non-facility community clinics operating in Ontario that were performing colonoscopies. However, information at the Ministry indicated that in the 2010/11 fiscal year, about 36% of all colonoscopies were performed in community clinics.

In 2010, legislative changes to the *Medicine Act, 1991* made the College of Physicians and Surgeons of Ontario (College) responsible for inspecting all community clinics that use anaesthesia to provide insured services (such as cosmetic surgery and colonoscopies) and uninsured services (such as hair transplants). However, the Ministry does not obtain information on the frequency or outcome of these inspections. We contacted the College, which informed us that since commencing such inspections in fall 2010, it had inspected about 50 community clinics performing colonoscopies and four community clinics performing abortions. The College indicated that most of the community colonoscopy clinics had passed their inspections with some conditions. No information was provided by the College regarding the community abortion clinics.

We also noted that about 50 of the x-ray sites inspected by the Ministry's X-ray Inspection Services Unit were community clinics, not independent health facilities. These clinics cannot bill the Ministry or their patients for facility fees for insured services, but physicians working in these clinics can bill the Ministry for the related professional fees. The Ministry's Independent Health Facility Program was not aware of these community x-ray clinics, and, unlike the case with independent health facilities, the x-rays read by radiologists in these clinics are not periodically reviewed by the College.

RECOMMENDATION 4

To ensure that all community clinics providing insured services—even those that do not use anaesthesia—offer quality medical services, the Ministry of Health and Long-Term Care should consider engaging the College of Physicians and Surgeons to oversee those clinics that offer services that would be subject to College oversight if they were classified as independent health facilities.

MINISTRY RESPONSE

The Ministry agrees that the provision of quality health care that includes quality medical services is a priority and established Health Quality Ontario (HQO) to lead the Ministry's quality and evidence-based agenda. Among other things, HQO makes recommendations to the Ministry regarding the quality of health- and medical-care services provided to patients, including services provided by community and specialized clinics, and also provides guidance and makes recommendations to health-care providers and relevant organizations on standards for patient care based on evidence, and clinical best practice guidelines and protocols.

Furthermore, Cancer Care Ontario and the College are working in partnership to plan and implement a model for quality improvement focused on selected health services that are delivered in settings other than an independent health facility, including pathology, colonoscopy and colposcopy. The Ministry expects to receive an implementation plan by March 2013.

PUBLIC INFORMATION

Patients have the right to choose which independent health facility they go to. To make these choices, patients need information on which facilities provide the service(s) they require and where these facilities are located.

Referral Forms

Patients requiring services provided by an independent health facility often get a referral form from their physician that provides contact information for one facility or for several facilities owned by the same owners. Many patients assume that they must go to a facility on the referral form; but in fact they are free to choose a hospital or any facility that offers the required service(s), including a facility that may be closer to home. As noted earlier, some physicians have a financial interest in certain facilities, which, as several studies have indicated, may influence both the rate at which they prescribe certain tests and which facilities they refer patients to. In contrast, referral forms for laboratory services (such as blood tests) are standardized and do not readily lend themselves to listing specific laboratories. At the time of our audit, the Ministry did not have any plans to develop a standardized referral form for services provided by independent health facilities.

Ministry Website

The Ministry has a website (the Health Care Options Directory) that allows the public to search for locations providing services such as x-rays and ultrasounds. But this site does not list all of the independent health facilities and hospitals providing these services. Rather, it is primarily a listing of these services provided outside of facilities and hospitals, such as in after-hours clinics. In 2010, the Ministry introduced another website that lists only the independent health facilities in Ontario. The list includes each facility's address and telephone number, as well as all the services each facility is licensed to provide. The Ministry told us that this list is updated monthly and that patients interested in identifying alternative facilities can review this list.

However, we noted that the list was not as helpful as it could be. For example, unlike the Health Care Options Directory website, this website had no tools allowing users to search by postal code or by service area. More significantly, the list did not always offer an accurate description of the services offered at a given facility: a clinic listed as licensed to offer a specific service might not actually offer that service. When we contacted a sample of facilities that the website indicated were licensed to provide fluoroscopy services, 35% said that they did not provide such services at all, and another 20% said that they had temporarily suspended the service because of machine-maintenance or other issues. One facility's phone number was no longer in service, and a staff person at another directed us to a different location, which we noted was not licensed to provide the service. (The Ministry was following up with this facility.) The website also did not list the specific services provided at a given facility. For example, not all facilities offering ultrasound services perform knee ultrasounds.

We noted that as of January 2012, the list included addresses for almost 950 facilities; however, information at the Ministry indicated that there were about 800 unique facility locations. We were informed that some facility owners operate with multiple licences out of one location. As well, we noted that more than 20 listed facilities had not been open for at least five years.

In our *2004 Annual Report*, we recommended that the Ministry consider publicly disclosing any serious quality assurance problems at independent health facilities. We noted during our current audit that the Ministry's website included the dates and results of each facility's last quality assurance assessment. However, it did not indicate which facilities had been suspended for failing to meet required standards; instead, suspended facilities were just removed from the online list. Because suspended facilities may continue to offer patient services (they cannot bill facility fees, but can still bill professional fees), the Ministry requires suspended facilities to remove their licences from their walls so that patients know that they are suspended. But the Ministry has not analyzed whether this is an effective way of informing patients that the facility's licence is suspended.

The website also provides no information about the process for filing a complaint about an independent health facility.

Wait Times

The Ministry's Wait Time Strategy website reports wait times for MRI and CT examinations at hospitals, and for cataract surgeries at hospitals and at one of the two independent health facilities providing these surgeries. The Ministry does not report the wait times for an MRI or CT at the seven independent health facilities offering these services. As a result, patients cannot "shop" for the shortest wait time for these services. As well, the Ministry does not collect or report wait times for other diagnostic services provided by independent health facilities, such as x-rays and ultrasounds, because the Ministry does not expect significant waits for these services. Although we would not expect the Ministry to track services with same-day access (such as many types of x-rays), public information on wait times for services that have historically involved a significant wait (such as MRIs, CTs and cataract surgeries) might be beneficial.

RECOMMENDATION 5

To ensure that patients have access to relevant information about independent health facilities that can help them obtain required services, the Ministry of Health and Long-Term Care should:

- consider the costs and benefits of introducing a standardized referral form, similar to that used in the laboratory program, that restricts physicians from recommending a preferred facility and that contains information about how to locate an independent health facility using the Ministry's website;
- combine existing website information into one website with search functionality that specifies all locations where patients can access community services, such as x-rays and ultrasounds, as well as available services and wait times for services that do not have same-day access (for example, MRIs and CT scans); and
- provide information on its website regarding how to register a complaint about an independent health facility.

MINISTRY RESPONSE

The Ministry agrees that public information-sharing accomplished through accessible and user-friendly formats, tools and mechanisms is important. In this regard, the Ministry will:

- explore options for standardizing diagnostic referral forms, including the potential for electronic referral formats;
- explore options to combine existing website information to ensure patients have access to comprehensive information (the Ministry is in the process of having independent-health-facility MRI and CT service wait times reported through the Provincial Wait Times Strategy); and
- include information on its website on how to register a complaint about an independent health facility.

Chapter 3
Section 3.07

Legislative Estimates Review Process

Background

GOVERNMENT SPENDING AND THE ROLE OF THE LEGISLATURE

In the Canadian parliamentary system, the party with the most elected members after a federal or provincial election normally forms the government. If that party has a majority of elected members, it can govern without the support of the opposition parties. However, if it has only a minority of elected members, it usually requires the support of at least one other party to pass any legislation, including the annual budget.

Legislative oversight of government spending, including the annual budget, is fundamental to any democracy. In Canada, such oversight typically falls to the opposition parties, although all elected officials are ultimately responsible for ensuring that revenues are spent prudently on behalf of the public.

The annual budget is generally regarded as a government's most important piece of legislation each year given that it outlines the government's fiscal direction and its policy priorities. It also sets out how much the government proposes to spend on the services it provides to citizens, and how it will fund the cost of providing these services. From a fiscal accountability perspective, the budget's "bottom line" is the projected surplus or deficit for the year.

The government of Ontario currently spends about $120 billion a year on public services ranging from health care to education to social assistance. While the government sets spending priorities and manages service delivery, it must seek the Legislature's approval each year for its spending plans.

In jurisdictions that follow the Westminster-style parliamentary system, such as Canada, the United Kingdom, Australia and New Zealand, parliamentary oversight and approval of a government's proposed spending plans has long been considered a key element to ensure government fiscal accountability. Legislative scrutiny of proposed government spending, especially by opposition members, is a key component of this accountability.

THE BUDGET, ESTIMATES AND THE LEGISLATIVE SPENDING REVIEW PROCESS

In recent years, the Ontario budget has usually been presented to the Legislative Assembly in late March or early April. However, the budgetary process starts several months earlier, when the government provides ministries with broad spending guidelines that reflect its policy priorities and fiscal outlook.

The ministries then put forward their proposed spending plans for each of the public services that they manage. Ministry plans, once reviewed and approved by the Treasury Board and Management Board of Cabinet, form the basis for the budget and for expense projections of future years. The budget and accompanying fiscal plan also reflect the expected revenues available to support these proposed expenditures.

Ministry spending plans are subdivided by program area and spending activity. Each program area, such as post-secondary education or adult social services, is allocated a vote number, and each spending activity within a particular vote, such as grants to colleges and universities or adult employment-support assistance, is allocated an item number. These proposed votes and items are summarized in a document entitled Estimates, and represent the government's formal request to the Legislature for spending approval. The government must table its Estimates no later than 12 sessional days after the budget's release.

In Ontario, a separate legislative committee called the Standing Committee on Estimates (Committee) is responsible for reviewing the estimates of at least six but not more than 12 ministries or government offices each year. The Committee is currently composed of members from Ontario's three major political parties, with representation proportionate to the percentage of members each party has in the Legislature. During the review process, ministers and senior staff of those ministries selected for review appear before the Committee to explain their estimates and answer questions.

When the Committee completes its review, it reports back to the Legislature and the estimates are then deemed to have been approved by the Committee, even if the Committee did not formally endorse them. Estimates of those ministries or offices not selected for review are deemed to be automatically approved.

Members of the Provincial Parliament (MPPs) also have the opportunity to debate the tabled Estimates in the Legislature. After the Legislature approves them, through passage of the *Supply Act*, they become voted appropriations and constitute the legal spending authority for the government. The vote-and-item details provide a mechanism for legislative control of this proposed spending, as spending of the funds must be consistent with the stated purpose of each approved vote and item, and the amounts spent cannot exceed voted amounts without further legislative authority.

PAST EXAMINATIONS OF ONTARIO'S ESTIMATES REVIEW PROCESS

In 1987, we asked a number of MPPs for their views on the estimates review process. We then reported in our *1987 Annual Report* that the MPPs generally felt that the process was "maligned and ineffective." We recommended at the time that consideration be given to creation of a dedicated committee mandated to review the annual estimates of selected ministries.

The following year, the Standing Committee on Public Accounts issued a *Special Report on the Estimates Process*, and in 1989, the Legislature established the current Standing Committee on Estimates (Committee).

After this Committee had operated for about five years, we decided in 1995 to revisit this area to determine whether there had been progress in improving the estimates review process. The consensus among the nine MPPs we interviewed—three from each party—was that the process was still not very effective in ensuring that ministry spending plans were appropriately scrutinized. In our *1995 Annual Report*, we quoted a comment from one MPP as indicative of the views we heard:

> We do not serve the public very well in assessing whether the ministry is planning to spend or has spent the money wisely. This disturbs me. In theory, we are supposed to be looking after the finances of the province. However, by the end of the day we are no more enlightened.

Objective and Scope of Current Review

We decided to revisit the legislative estimates review process this year because it has been more than 15 years since our last review. In addition, our research found that other Westminster-style parliaments have acknowledged, just as Ontario's has, that there have been challenges in implementing effective legislative oversight of this area, and a number have carried out changes to try to address them. It was our view that Ontario's elected members might find some of the practices in use elsewhere of interest.

Aside from our review of practices elsewhere, the main focus of our study was to obtain the views of MPPs with several years of experience on the Standing Committee on Estimates. Accordingly, we interviewed nine current members—again, three from each party—who had served or are currently serving on the Committee. We also took the opportunity to obtain the views of three retired MPPs from different parties, each of whom served a significant number of years as an elected member and whose collective experience in the Legislature totalled more than 80 years.

We understand that the Legislature's Standing Orders—which govern the workings of the House and its Committees, including the Standing Committee on Estimates—are currently under review, so the observations from our review may prove timely.

Overall Observations

The consensus of almost all of the members we interviewed echoed the comments members made in 1995 when we last examined the estimates review process—the process is still not very effective in providing meaningful scrutiny of government spending plans. However, members also made it clear that the hearings of the Standing Committee on Estimates are still a worthwhile exercise because they provide the only real opportunity to directly question a minister outside of question period.

We asked the members a point-blank question: Was the whole exercise little more than a "rubber stamp" with respect to overseeing proposed government expenditures? Most acknowledged that, to some extent, it probably was. We heard comments along the following lines:

> The estimates review process can be a very frustrating exercise when you sit there for up to 80 hours and not look in any detail at the expenditures reported in the Estimates. In reality, the process is a tool for political purposes—it has nothing to do with review of expenditures for reasonability.

> I do not feel the Estimates Committee is meeting the objective of financial scrutiny, and it doesn't provide for a better Ontario. I give it a scale of two out of 10.

But on the other hand, members were unanimous in acknowledging the process's value as an opportunity for questioning ministers about government policy and related proposed expenditures. As several MPPs put it:

> The estimates review process is a great opportunity to get questions that are important to you answered and is a good learning opportunity.

> You learn a lot from the Estimates. Sometimes you will see that members will ask questions that the minister is not expecting, and it's good to see how they respond.

> While it's not perfect, in aggregate it's a good thing.

Our research did not identify any Westminster-style parliaments that appeared to have devised a truly effective estimates review process, and many are wrestling with the same concerns and issues expressed by Ontario MPPs. Indeed, the International Monetary Fund noted in a 2005 study that Westminster-style legislatures in general have very limited oversight influence, and ranked the parliaments of Canada, Australia, the United Kingdom and New Zealand as having the weakest budgetary influence of those in any western countries. The legislatures in the United States and Sweden, both non-Westminster systems, ranked the highest in budget oversight powers.

A common observation elsewhere was that since Committee members cannot realistically amend spending proposals, they see little point in giving the numbers more than a superficial look, regardless of whether they review the estimates in a separate estimates committee or in a series of policy committees. The research consensus was that elected members must first believe their scrutiny can influence government spending decisions, programs and services before the review process can fully engage them. A 2006 report prepared by the United Kingdom's Hansard Society, an independent, non-partisan educational charity that promotes effective parliamentary scrutiny, summed up the perceived effectiveness of the United Kingdom's process as follows:

> In the view of many commentators, Parliament's influence over government proposals for taxation and expenditure, and priorities within that expenditure, is virtually non-existent. The essential relationship between Parliament and government is that the latter proposes and the former simply agrees. To draw an analogy, the government decides the value of the cheque, to whom it should be paid and when, and Parliament simply signs it.

Ontario MPPs raised the following specific issues or concerns, which our research suggested were also common elsewhere:

- Elected members have numerous and competing demands on their time, especially when the Legislature is sitting, and so would not welcome any changes requiring them to add to the already significant time they spend on estimates. However, most MPPs we spoke with said it should be possible to identify changes that would make the time they currently spend on estimates more effective. Specifically, members said:

  > We do not get good value for all the time spent in Estimates. Surely, there are some changes that could be made which, while not adding more committee time, would result in a better process.

  > Whatever you recommend, do not include anything that adds more time to the estimates review process because we just do not have the time.

- Ministry briefing materials to support the estimates review process are quite detailed but are still perceived as not providing, in an easily understandable manner, adequate information on how a program is being delivered and what results are being achieved. This makes it difficult for Committee members to evaluate service delivery relative to funds being requested. The following two comments reflect some of the feedback we heard on this issue:

  > Unless someone knows the ministry in depth, you really cannot make heads or tails of the Estimates.

  > Members should read the Estimates in detail, but no one really reads them. Estimates are complicated to read. It is very difficult for a non-financial person to read and sort through them.

- Often, a significant amount of the requested funding may have already been spent before the Estimates are reviewed. MPPs said this raises questions about whether the purpose of the exercise is to have members scrutinize the government's proposed spending plans or, instead, to give MPPs access to ministers. Members observed that:

> The chamber is here to represent the views of Ontarians. Therefore, the estimates review process is needed, but how it should work is the question. There should be some ability for the Committee to identify problems and report on recommendations, but this does not happen. So the estimates review essentially becomes what I want to use it for—taking up the concerns of my constituents. Essentially, the Estimates becomes a place to get information on those constituency issues you need to address.
>
> The roles of the Committee should be to review, quantify and qualify government expenditures and to be in a position to make amendments to the government's spending plan, where appropriate. The Committee, along with the Legislature, should hold the government to account on the spending of tax dollars. The process should be about transparency. But in reality the process is a balance between politics and numbers. Therefore, the Committee needs an upgrade—a review of what it is doing and why it is doing it.

- In answer to our question about partisanship, the MPPs said that the estimates review process would likely be more effective if the partisanship could be dialed down. However, all MPPs recognized that this is easier said than done since legislative committees are composed of both opposition and government members. As two MPPs commented:

> There are a lot of talented people, but the politics remove the ability of the Committee to undertake any meaningful scrutiny.
>
> The adversarial dynamics in any legislative committee comprised of both opposition and government members will almost always foster an atmosphere of partisanship. As a result, government members ask questions that are intended to make the government look good, while opposition members ask questions intended to do the opposite.

In general, the three long-serving retired MPPs we spoke with echoed the sentiments of the nine current members interviewed that the legislative estimates review process was not seen as being that effective as a means of scrutinizing government spending. While they also acknowledged the benefit of having the opportunity to directly question a minister, one retired MPP made the following observation:

> I like Public Accounts because the Minister is not there. One change I would make: take the Minister out of the process, as this is the only way committee members will get legitimate and straightforward answers.

The retired MPPs, who have witnessed the evolution of the estimates review process over time and have been both committee members and ministers, felt that the process has become less effective as the size of government has grown. They also noted that any reform had to go beyond administrative changes. Specifically, the government needed to be more open in responding to questions, and committee members needed to focus both on financial scrutiny of the Estimates as well as on policy-related issues. One of the retired MPPs expressed the following opinion:

> The concentration of power without a counterbalance is the problem with government today—that is why you need the Standing Committee [on Estimates]. If you want to get accountability, it is important for the Committee to decide, where do we want to go with this issue and how do we get there.

Detailed Observations

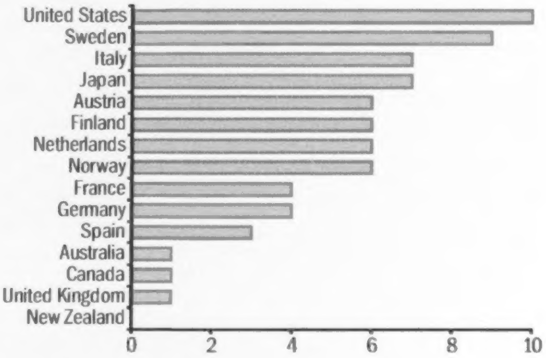
THE WESTMINSTER SYSTEM OF GOVERNMENT

The ability of a legislature to influence a government's budget depends on the balance of power between the legislative and executive branches. Ontario follows the Westminster-style system, which emphasizes the executive's right to govern. Budgetary power is accordingly concentrated within the government, and the parliament as a whole has only minimal influence over it, especially in majority situations. Noting this, the International Monetary Fund (IMF) ranked the legislatures of Canada, Australia, the United Kingdom and New Zealand in a 2005 study as having the weakest budgetary oversight powers among major western countries, as shown in Figure 1.

The federal Gomery Royal Commission, which in 2004 launched an investigation into the so-called Sponsorship Scandal in the federal government, also touched on the issue of Parliament's ability to effectively oversee a government's spending plans, observing:

Figure 1: International Monetary Fund Index of Legislative Budgetary Powers*

Source of data: IMF (2005)



* This figure measures the relative power of legislatures over national budgets on a scale of one to 10, with 10 representing significant power. The IMF considered whether legislatures: (a) approve an annual budget strategy; (b) have powers to amend draft budgets; (c) allot time for discussion of the annual budget; and (d) receive technical support for scrutinizing the budget.

> Concerns about the effectiveness of Parliament in examining government programs and discharging its financial accountability role have been expressed for decades. Most recently, a 2003 committee report [Report of the Government Operations and Estimates Committee (Canada) entitled *Meaningful Scrutiny: Practical Improvements to the Estimates Process*] lamented that "committees continue to provide relatively cursory attention to the main spending estimates and explanatory reports," and MPs interviewed for a Commission research study confirmed this finding.

In contrast to Westminster-style democracies, the IMF ranked the legislatures of the United States and Sweden as having the strongest budgetary oversight powers. However, this power balance also has its disadvantages. In the United States, for example, budget debates can lead to paralyzing political gridlock, as when Congress threatened in 2011 to defeat the Administration-backed budget bill and effectively shut down the government unless certain of its demands were met.

DEDICATED ESTIMATES COMMITTEE VERSUS POLICY-FIELD COMMITTEES

Ontario is the only Canadian jurisdiction that has established a dedicated Standing Committee on Estimates, as illustrated in Figure 2. All other

Figure 2: Provincial Comparison—Estimates Review Time and Committee Type

Prepared by the Office of the Auditor General of Ontario

Province	Time Given for Estimates Review	Committee Type
British Columbia	125 to 200 hours (on average)	Committee of the Whole[1]
Alberta	53 hours (minimum)	Policy-field committees[2]
Saskatchewan	75 hours (minimum)	Policy-field committees
Manitoba	100 hours (maximum)	Committee of the Whole[1]
Ontario	90 hours (maximum)	Standing Committee on Estimates
Quebec	200 hours (maximum)	Policy-field committees
New Brunswick	80 hours (maximum)	Committee of the Whole[1, 3]
Nova Scotia	80 hours (maximum)	Committee of the Whole[1, 4]
Newfoundland and Labrador	75 hours (maximum)	Policy-field committees
Prince Edward Island	None specified	Committee of the Whole[1, 5]
Yukon	None specified	Committee of the Whole[1, 5]
Nunavut	None specified	Standing Committee on Oversight of Government Operations and Public Accounts[5]

1. This term is used to describe the Legislative Assembly, which, in essence, is a committee of all elected members.
2. Three hours for each department and two hours for the Executive Council.
3. The Legislative Assembly may refer Estimates to a dedicated Standing Committee on Estimates, but this occurs only rarely.
4. Forty hours for each of the Committee of the Whole on Supply and the Subcommittee on Supply.
5. Information for Prince Edward Island, Yukon and Nunavut was not readily available.

provinces have assigned this oversight role to their policy-field legislative committees or to a committee of the whole Legislature. Typical policy fields often comprise those ministries that share a common theme such as justice, and which cover, for example, such areas as police, correctional facilities, probation and parole.

One benefit of having a distinct estimates committee is that parliamentarians get dedicated time to review and debate the proposed spending of at least some ministries. On the other hand, the policy-field committee approach often allows members to gain more detailed knowledge about certain ministries and programs, making them better informed about both the issues and related program-expenditure trends. However, a drawback of the policy-field approach is that these committees are often also required to review draft legislation or perform other tasks. Only part of their time may be spent actually reviewing ministry estimates.

The estimates review in the major Westminster-style countries also tends to be done by policy-field committees rather than dedicated estimates committees, as illustrated in Figure 3. We noted from our research that, irrespective of the approach taken to review estimates, all jurisdictions indicated similar challenges in legislative scrutiny of their government's proposed spending plans.

Ontario's 90-hour maximum time allocation for estimates review is fairly consistent with that of the other provinces, as illustrated in Figure 2. However, our research found that, like Ontario, other Canadian jurisdictions do not use all of the allotted time. In Ontario, the Estimates Committee typically spends about 50 hours in hearings. MPPs told us there were several reasons why the full 90-hour allocation was not used:

- There are competing demands on members' time that include attending debates in the Legislature, conducting other committee work and addressing party-caucus and constituency issues.
- In recent years, the Estimates have not been tabled until mid-April, leaving limited time for committee meetings before the summer recess in mid-to-late June.

Figure 3: National Comparison—Estimates Review Time and Committee Type

Prepared by the Office of the Auditor General of Ontario

Country	Time Given for Estimates Review	Committee Type
Canada	Three months	Policy-field committees
United Kingdom	14 days (recently increased from eight days)	Policy-field committees
Australia	Four days per committee	Policy-field committees
New Zealand	Two months	Policy-field committees

- The Estimates Committee normally meets only when the Legislature is sitting and when its day's routine proceedings have been completed.

Given that devoting more time to estimates review is not an option for most committee members, any improvements must focus on making the best use of what time is available.

QUALITY OF BRIEFING INFORMATION

Ministries selected to appear before the Estimates Committee provide MPPs with supplementary material in the form of briefing books. Since many MPPs lack an accounting or financial background, it is essential that this material be easy to understand, identify major program changes and spending trends and, perhaps most importantly, be reasonably concise. Several MPPs commented that it takes several years sitting on the Estimates Committee before they are able to fully grasp the ministries' briefing materials. As one of the retired MPPs with whom we met stated:

> The way the material is presented is so important because it frames the issues. If presented well, it will allow both the experienced member and the average member to gain the necessary knowledge to understand the program and then to ask the right questions.

Legislature rules provide for some consistency in the preparation of briefing books, requiring that they include "information on growth rates, interim expenditures for the previous fiscal year, and an explanation of the programs and funding by a particular item." The Treasury Board provides guidelines to help ministries comply with these requirements. Despite this, however, we found that the information in briefing books often did not clearly identify or discuss expenditure trends or address significant changes to programs beyond one year. As well, briefing books tend to focus on government initiatives but provide little quantifiable information on program results.

Interviews with MPPs led us to conclude that most MPPs did not spend much time reviewing the briefing books in advance of committee meetings because they did not find the information all that useful. Several MPPs advised us that they would like more performance and future-oriented information for programs with significant changes to spending or service delivery so as to better assess the impact of the proposed changes. We believe this suggestion has considerable merit. In particular, MPPs told us that information on program reductions is particularly relevant in this era of cutbacks and austerity.

As a recent Ontario ministry publication dealing with performance measurement at the municipal level put it:

> Government today is very complex, so it is important that elected officials and public servants inform taxpayers what governments plan to achieve, what it is actually accomplishing and what public services cost. With this information, taxpayers can make informed decisions about the level of services they desire. This notion of accountability is fundamental to our form of government.

Program Performance Information

Clearly, MPPs need accurate, transparent and understandable information to help them assess whether government spending is meeting its stated objectives. In this regard, we believe Ontario's Standing Committee on Estimates would find briefing materials more useful if they contained:

- measurable targets for program objectives; and
- a comparison of actual performance with forecasts.

Many other jurisdictions have recognized this need since our last review in 1995. We reviewed a number of publicly available annual plans and performance reports published by departments and ministries in Alberta, British Columbia, Canada, Australia and the United Kingdom. Most jurisdictions reviewed provided more comprehensive planning reports that laid out strategy, activities and performance measures with stated targets. Subsequent annual performance reports explicitly compared actual performance with prior targets and discussed variances. The majority of jurisdictions reviewed also provided plans, expense projections and performance targets for three to four outlook years, as illustrated in Figure 4.

It is notable that the United Kingdom has recently reformed its performance reporting practices. As part of major reforms to the public service following the 2010 election, the government abolished the previous reporting regimen of centrally defined Public Service Agreements. In its place, a five-year strategy was developed, and departments annually develop business plans that set out proposed actions to implement the government's strategy. Subsequent performance reporting tracks these actions. Interestingly, targets are no longer formally set. Departments also report on several indicators that are meant to help monitor performance. The development of these indicators was still ongoing at the time of our review.

As the chair of the U.K. Public Accounts Committee recently said:

> It is not good enough to dump data into the public domain. It must be analysed to be relevant, robust and fit for purpose.

The MPPs we interviewed who commented on this issue generally were of the opinion that they required "more relevant" rather than "more" information.

Future-oriented Information

Although the Ontario budget provides projected future expense information, the Estimates Committee has a mandate to review only current-year spending plans. Consequently, ministry briefing books do not provide information or projections regarding the next few years.

A 2006 study by the Parliamentary Information and Research Service of Ottawa's Library of Parliament suggested that federal parliamentary policy-field committees reviewing estimates should expand their focus to include future spending plans. They argue that the government likely would be more receptive to recommendations that touched on future spending because criticism of the more detailed current-year plans could create a non-confidence issue. We believe this observation has some pragmatic merit; committee members would likely be more motivated to focus on spending and the level of services actually being provided if ministries and the government considered their input more seriously.

At the time of our 1995 review, only a few jurisdictions were providing future-oriented estimates information. Today, however, much more of this information is available, as illustrated in Figure 4.

The results of these initiatives have been mixed:

- On the positive side, the U.K. Hansard Society noted in 2006 that scrutiny of departmental annual reports has enabled committees to conduct more comprehensive analyses of government spending priorities both within and across departments.

Figure 4: Estimates Briefing Information: Other Jurisdictions

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	Program Performance and Future-oriented Information
British Columbia	• The government releases an annual strategic plan of priorities, objectives and expected results over the next three years. • Annual departmental service plans provide three-year business plans consistent with the government's strategic plan and outline specific performance measures with targets for all outlook years. • Annual departmental service plan reports compare prior year's actual performance against targets set in the previous service plan.
Alberta	• Ministries provide a three-year business plan with goals, priority initiatives and performance measures with targets for all outlook years. • Annual ministry reports track key performance measures and discuss the prior year's performance against targets set in the prior year's business plan.
Canada	• An annual ministerial Report on Plans and Priorities outlines forecast spending and expected results over three years, with stated performance indicators and overall targets. • Departmental performance reports compare the prior year's actual performance against plan. • In the fall, the targets in the ministerial Report on Plans and Priorities are compared to actual departmental reports, which allow for feedback and adjustments before the next Estimates are tabled in the spring.
Australia – Queensland	• Departmental Strategic Plans outline a department's agenda over the next four years. • Departmental annual reports provide an account of the operational and financial performance as well as an assessment of performance against the Strategic Plan.
United Kingdom	• In November 2010, the coalition government directed all departments to develop five-year business plans that detail the department's strategy for implementing the government's core priorities. • Departmental business plans are updated annually and describe plans and actions; in 2012, expenditures were forecast out to 2015. • Departmental annual reports detail the progress of actions outlined in the prior year's business plan and report on input and impact indicators that are used to monitor performance.

- Several Canadian and U.K. studies have noted that the provision of future-oriented information has resulted in a more effective scrutiny process. But other studies also found that estimates documentation, including supplemental planning and performance reports, continues to be of poor quality.
- In 2002, the Alberta Financial Management Commission, an expert panel set up by the province to examine its financial and budgeting practices, noted that ministries tend to treat future years merely as mathematical exercises.

While some MPPs we interviewed supported the inclusion of future spending plans in estimates briefing materials, others opposed it. One argument against including future fiscal outlook data is that such scrutiny may not be meaningful since government plans may change significantly in subsequent budgets. On the other hand, as one member noted, suggestions on future spending plans might find some resonance with a minister or senior ministry officials even though any public acknowledgement of this is unlikely to be forthcoming. As one of the retired MPPs we spoke to put it:

> If you are participating in estimates review as a Minister, it may not change things, but it is very useful for oversight because as Minister I may begin to rethink some of the program decisions based on the questions I am getting.

NARROWING THE FOCUS FOR PART OF THE ESTIMATES REVIEW

Another way to enhance legislative spending control is to narrow the Estimates Committee's oversight focus by selecting only a few ministry programs for more detailed scrutiny. This idea was put forward by the Library of Parliament study referred to above. The premise behind this idea is that the Committee just does not have the time to conduct a detailed scrutiny of *all* programs administered by a large and complex government ministry.

However, adopting such a targeted strategy is not without risk, as important issues might well go unaddressed. It would also mean that the Committee's ultimate approval or rejection of ministry estimates as a whole would be based on a review of only a portion of its activities. Despite these concerns, several of the MPPs we interviewed said this approach might have some merit for part of the time allocated to a particular ministry's estimates.

In essence, this method would employ a two-track approach. The first part of the review would be a general session with the minister in which committee members could ask questions about any ministry programs and activities, while the second would focus on specific programs. Selecting programs for review in more detail could be done in one of two ways:

- a subcommittee composed of one member from each party would choose from one to three programs; or
- each of the three parties would select a program on which to focus.

These choices would be made in advance so that the ministry briefing books could provide more detailed information about the programs selected. This information could usefully include 10-year historical and future-year expenditure trends, data on service levels being provided, outcomes achieved and the fiscal impact of any recent policy changes and future expenditure trends on the expected level of service demand.

Several MPPs told us that it might not be necessary for the minister to be present during this portion of the estimates review. Some cited as an example the Standing Committee on Public Accounts, where only senior ministry and broader-public-sector officials are questioned. Those familiar with this committee said such an approach seemed to work well and tended to de-emphasize the partisan nature of committee hearings. This approach would focus the second track of estimates hearings on the fiscal and administrative delivery aspects of the program rather than on the merits of government policy, a matter best left for the minister's appearance.

Two MPPs who felt this two-track approach might warrant consideration said:

> I believe each of the parties should be asked what to focus on. This way, more in-depth analysis on policy and expenditures will occur rather than have the estimates review be wide open. This would likely lead to a better understanding of government spending than is being obtained from the current estimates review process.
>
> I'd like to see it. It is better to zero-in on specific areas of concern ....

One MPP who supported the two-track option did offer a caution, however:

> I am not in favour of limiting what can be reviewed with the minister or ministry staff during the estimates review process. What is currently open to scrutiny should be left open.

One of the retired MPPs noted:

> There is no way the committee can effectively scrutinize the Estimates today

> because the programs are just too big and complex for committee members to understand and know what questions to ask. Having served as both a member of the committee and as a former Minister who was on the receiving end of questions, I am a big believer in narrowing the focus of the review.

ADVANCE BRIEFINGS

Another option we raised with MPPs was the value of a 30-minute to one-hour in camera briefing prior to the public committee hearing to provide an overview of the selected ministry's estimates. For instance, this briefing could cover any major changes in program expenditures or service delivery levels, per capita cost comparisons with other provinces that had similar programs, or other issues such as the service and fiscal impact of recent policy changes. We suggested the briefing could be done either by the Legislature's research staff or by senior ministry officials—or possibly even by our Office, if we had done a recent audit in that program area. The Standing Committee on Public Accounts has effectively utilized such private in camera briefings in advance of the public hearing for most of the past decade.

The 2003 report of the federal Government Operations and Estimates Committee, entitled *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, made a recommendation along these lines. It suggested that the committee could leverage the work of the Auditor General's office by obtaining its advice when reviewing the estimates of recently audited departments and agencies.

The majority of MPPs we spoke to felt an advance briefing would be useful. Among their comments:

> It would be very helpful to have a one-hour briefing from a non-partisan official or even a ministry official that might explain why spending is up by 6% in one area and down 4% in another. Even a briefing from the Auditor General indicating, "Here is what I noted ..." would go a long way in helping members do their job ... by pointing out trends, it would trigger questions we should be asking about what is happening and, more importantly, why is this happening.
>
> If someone can brief us in a non-partisan way, then yes this would be a great idea ... We need non-partisan and factual briefings. Perhaps the deputy minister or assistant deputy minister can give the briefing.
>
> Yes. This would be great. Currently, too much time and emphasis is spent on the minister's response. If the Auditor General gave a briefing, maybe this would not be in the best interest for him, but it would be better for the committee, given his independence.

SPECIALIZED SUPPORT

Ministries spend billions of dollars across dozens of individual programs and activities each year. However, while the Legislature's Public Accounts Committee, for example, has a dedicated legislative research officer available to assist committee members, the Estimates Committee does not. Without such support, and considering the time demands on MPPs, it is more difficult for members to fully understand a ministry's estimates or obtain answers to fundamental questions such as: "Is public money being spent effectively? Are desired outcomes being achieved? Should government spending priorities be revised in light of new events or circumstances?"

It is equally difficult to identify those areas where proposed spending may not be appropriate relative to the level of service being delivered, or where significant variances in spending over time warrant additional scrutiny.

Our research indicated that most legislatures in Westminster-style parliamentary democracies have minimal, if any, dedicated research support. By contrast, the U.S. Congressional Budget Office has a large research arm of accountants and economists available to help legislators analyze and assess the government's proposed budget.

The MPPs we spoke to generally agree that having research assistance would help them better understand the estimates briefing materials. In fact, the federal governments of Canada, the United Kingdom and Northern Ireland, Scotland and Wales have moved to address this need in recent years, as illustrated in Figure 5.

In its 2006 report, entitled *The Fiscal Maze*, the U.K. Hansard Society pointed to the success of the United Kingdom's House of Commons Scrutiny Unit, established to provide specialized support for select parliamentary committees, as evidence that offering resources and research can contribute to more effective financial review. The society advocated expanding the unit's role to provide comprehensive support for all committees.

Three Things To Consider

We offer the following ideas for consideration.

1. **A short in camera estimates briefing for members in advance of formal committee sessions for each selected ministry.**

   The briefing would cover such areas as any significant changes in program expenditures where relevant, expenditure trends over time and expenditures relative to other provinces, given that most provinces deliver similar services to their citizens. It could be conducted by legislative research staff, by senior ministry officials or perhaps even by our Office.

2. **Requesting that ministry briefing books combine information on spending plans with past and current performance reporting to provide a better basis for legislators to assess what results are being achieved for proposed expenditures.**

   Specifically, the briefing materials would provide historical trend information over a five- to 10-year period and include program and service delivery indicators as well as future-oriented outlook data, at least for the most significant ministry programs. However, this should not result in any significant increase in page count, and the readability and understandability of briefing materials should be a priority.

3. **Selection of a few specific ministry programs for more in-depth review by the committee, perhaps with only senior ministry officials in attendance.**

Figure 5: Specialized Support: Other Jurisdictions

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	Specialized Support Available
Canada	The Library of Parliament's Parliamentary Information and Research Service provides research support. In the past, it has hired analysts to provide additional support to committees doing estimates work. Such support includes: • briefings on the Estimates and the estimates process; • background research on programs and activities; and • analysis of plans and briefing notes to help Committee members prepare for meetings and pose appropriate questions. The Parliamentary Budget Office also produces additional reports that can be used by committees.
United Kingdom	Recent reforms include the formation of a Scrutiny Unit that has a staff of 15, including economists, lawyers and accountants. The unit provides select committees with financial and legislative expertise, identifies areas of interest and suggests lines of inquiry.
Northern Ireland, Wales and Scotland	Specialist researchers within the research unit of the governing body are available to provide guidance on financial and technical matters.

> Given that the larger ministries spend billions of dollars in dozens of different areas, a more focused review of several key programs for at least part of those ministries' time allocations might have merit. Either a subcommittee composed of one member from each party would select the ministry programs for more detailed examination, or each party would select one program for review. The minister would continue to attend a significant portion of estimates hearings so that policy issues in any area could still be raised.

In regard to our proposals, the former MPPs we met with responded positively to having advance briefings. One suggested that to reduce partisanship, only ministry staff should be present during meetings, to focus questions away from policy and toward program administration. However, another former MPP disagreed, believing that attendance by the minister would be useful.

When asked about the estimates briefing materials provided to members, the former MPPs agreed that more relevant and future-oriented performance information was needed. One said:

> In my view, ministries spend a tremendous amount of time preparing material for briefing books that members do not really use—but if properly oriented, estimates review would have more meaning if members had good information on program performance and if the information also focused on looking forward rather than just looking at the past.

On the issue of focusing on only a few specific programs for part of the review, two of the retired MPPs supported this proposal, while one member was concerned this could limit the scope of member questions.

Chapter 3

Section

3.08

Ministry of Health and Long-Term Care

Long-term-care Home Placement Process

Background

Long-term-care homes (LTC homes) provide care, services and accommodation to people who require the availability of 24-hour nursing care, supervision in a secure setting, or frequent assistance with activities of daily living such as dressing and bathing. LTC homes are sometimes referred to as nursing homes or homes for the aged. They may be for-profit, not-for-profit, or municipally run organizations, and often have waiting lists for their beds.

In July 2010, the *Long-Term Care Homes Act, 2007* (Act) came into effect upon finalization of related regulations. This Act replaced the *Nursing Homes Act*, the *Charitable Institutions Act* and the *Homes for Aged and Rest Homes Act*. It governs the process for placing people in LTC homes, and authorizes the province's 14 Community Care Access Centres (CCACs) to manage this process (see Figure 1 for CCAC boundaries). Accordingly, the CCACs determine eligibility for admission, prioritize eligible individuals on LTC homes' wait lists and arrange placement when a bed becomes available. In the 2011/12 fiscal year, the CCACs placed more than 25,000 people in Ontario's 640 LTC homes, which have a total of 76,000 long-term-care beds that are over 97% occupied. About 85% of the people placed were aged 75 and older.

Each CCAC reports to one of 14 Local Health Integration Networks (LHINs). In the 2011/12 fiscal year, the Ministry of Health and Long-Term Care (Ministry) provided $2.1 billion of funding to the CCACs through the LHINs. This funding covered the CCACs' LTC home placement services, as well as their other activities, including the provision of home care and community support services. Information was not available on the cost of LTC home placement alone. The Ministry, to which the LHINs are accountable, is responsible for ensuring that CCACs comply with provisions for LTC home placement under the Act.

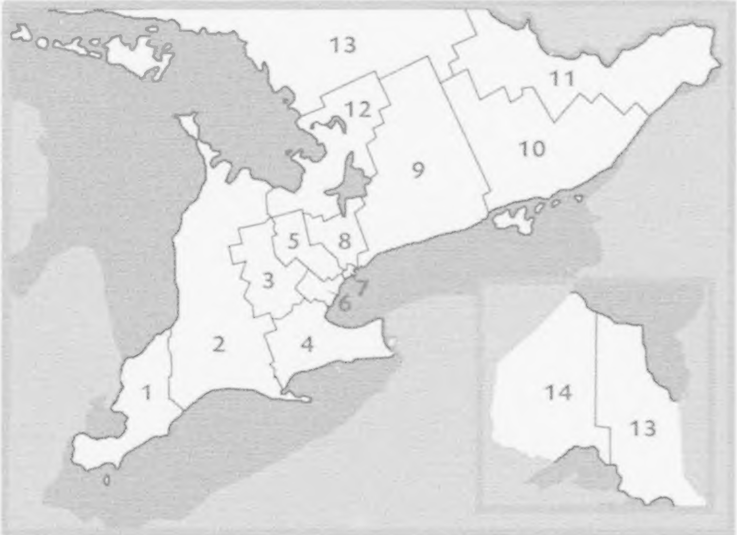
Audit Objective and Scope

The objective of our audit was to assess whether the processes in place at selected CCACs were effective for placing individuals in LTC homes in a consistent and timely manner, based on their needs and in accordance with ministry and legislative requirements.

We conducted our audit work at three Community Care Access Centres of different sizes: Central East CCAC (responsible for 9,700 LTC home beds, with head office in Whitby); North East CCAC (responsible for 5,000 LTC home beds, with head

Figure 1: Community Care Access Centre Boundaries

Source of data: Ontario Association of Community Care Access Centres



1. Erie St. Clair
2. South West
3. Waterloo Wellington
4. Hamilton Niagara Haldimand Brant
5. Central West
6. Mississauga Halton
7. Toronto Central
8. Central
9. Central East
10. South East
11. Champlain
12. North Simcoe Muskoka
13. North East
14. North West

office in Sudbury); and Waterloo Wellington CCAC (responsible for 3,800 LTC home beds, with head office in Kitchener). Senior Ministry and CCAC management reviewed and generally agreed to our audit objective and associated audit criteria.

The scope of our audit included a review and analysis of relevant files and administrative policies and procedures, as well as interviews with appropriate CCAC and ministry staff. We also reviewed relevant research, including best practices for the LTC home placement process in other jurisdictions. In addition, we obtained the perspective of the Ontario Association of Community Care Access Centres, which represents the 14 CCACs; the Ontario Long-term Care Association and the Ontario Association of Non-profit Homes and Services for Seniors, which between them represent the majority of LTC homes in the province; and the Advocacy Centre for the Elderly, which represents low-income seniors. We also used computerized data extraction techniques to analyze data from the Ministry's Client Profile Database, which includes LTC home placement information received from the CCACs.

We did not rely on reports from the Ministry's internal audit service team because it had not conducted any work on the CCACs' LTC home placement processes.

Summary

Since 2005 the number of Ontarians aged 75 and over has increased by more than 20%, which has undoubtedly been a key reason why the median time that people wait for accommodation in an LTC home has almost tripled—from 36 days in the 2004/05 fiscal year to 98 days in the 2011/12 fiscal year. Although wait times have decreased somewhat since July 2010, when tighter eligibility criteria in the *Long-Term Care Homes Act* took effect, Ontario's population of people aged 75 and up is expected to grow by almost 30% between 2012 and 2021, creating additional pressures to meet the needs of people who require long-term care. As well, beginning in 2021, the first of the baby boomer generation—those born between 1946 and 1964—will start to turn 75, at which point the demand for long-term care is expected to become even greater.

While CCACs are responsible for the process of placing individuals in LTC homes, numerous factors outside their control affect wait times for placement. In particular, the Ministry of Health and Long-Term Care (Ministry) is responsible for the number of available LTC home beds; individuals are allowed to select the LTC home(s) that they are willing to be placed in; and LTC homes may reject applications if they believe their home lacks the nursing expertise or physical facilities needed to meet the applicant's care requirements.

Numerous studies have shown that remaining in hospital longer than medically necessary is detrimental to a patient's health, yet many people wait in hospital for an LTC home bed to become available, which occupies a hospital bed that is often needed by other patients who have more complex health-care needs. As well, occupying a hospital bed is more expensive than community-based alternatives. This situation is exacerbated because people can wait in hospital for the LTC home(s) of their choice, even if the chosen home(s) have a lengthy wait list. We noted that during the 2011/12 fiscal year, 19% of clients waiting in hospital had applied to only one LTC home. Our research indicated that, to minimize the time such patients spend waiting in hospital, other provinces have stricter policies: five provinces require patients to go to the first vacant bed in any LTC home; and two require patients to go to any home with an available bed within 60 and 100 kilometres, respectively.

Given our aging population, developing alternatives to long-term care and implementing more efficient processes for placing people in an LTC home in a consistent and timely manner is critical. The Ministry has recognized this and has supported a number of initiatives to help reduce or delay the need for long-term care, and improve the placement process when a bed in an LTC home is needed. For example, all CCACs use a provincially standardized process to determine client eligibility, including considering alternatives to long-term care. This process also helps determine each client's wait-list priority; however, more needs to be done to ensure that crisis cases are prioritized consistently.

All three of the CCACs that we visited were managing various areas of their LTC home placement process well. However, all also had areas where improvements could be made, although any changes made in these areas would likely not significantly improve LTC home wait times. Some of our more significant observations are as follows:

- The provincial agency Health Quality Ontario indicated that nearly 20% of the CCACs' home-care clients who were subsequently placed in LTC homes could have remained in the community, and a Ministry-commissioned study noted that 37% of clients waiting in hospital for an LTC home bed had care needs that were no more urgent or complex than those of people being cared for at home.
- Not all people eligible for an LTC home require such care; for example, all veterans and spouses of current residents are eligible regardless of their health-care needs.
- In the 2011/12 fiscal year, CCACs province-wide completed a total of about 36,000 formal client reassessments, which are required to be completed in six-month intervals and within three months of LTC home placement. However, conducting a quick "touch-base" with clients and their families might more quickly and cost effectively provide information on whether a client's condition has changed enough to warrant a formal reassessment rather than conducting reassessments every six months.
- March 2012 LTC home wait-list data indicated crisis clients had waited a median of 94 days up to that point; moderate-needs clients had waited 10–14 months; and most other eligible clients had been on the wait list for years. Further, during the 2011/12 fiscal year, 15% of clients died before receiving LTC home accommodation.

- While 36% of clients were placed in their first choice of homes, others generally accepted the offered home but remained on the wait list for their preferred home(s). In fact, in March 2012, 40% of people on the wait list already resided in long-term care. At least half of admissions to more than 70 LTC homes during the 2011/12 fiscal year were for crisis clients, who typically get priority for the home of their choice. Consequently, non-crisis clients may find it difficult to access accommodation in the newer or more popular homes.
- The CCACs visited did not periodically review client placement decisions to ensure that the highest-priority person meeting an available bed's criteria was offered the bed. Nor did the CCAC systems retain wait-list information so that these decisions could be reviewed after the fact.
- Applicants living in some areas of the province get into LTC homes more quickly. At one CCAC, 90% of clients were placed within a low of 317 days, whereas at another CCAC, it took about 1,100 days until 90% of clients were placed.
- While LTC homes can designate up to 60% of their beds as preferred accommodation (that is, private or semi-private), only 40% of clients apply for these more costly beds. Therefore, regardless of care needs, clients who can afford to pay for preferred accommodation tend to get placed more quickly than other clients.
- Although information on LTC home wait times by priority level or accommodation type (that is, private, semi-private and basic) would help people consider where to apply, only one CCAC we visited made some of this information available publicly.

OVERALL MINISTRY RESPONSE

The Ministry of Health and Long-Term Care (Ministry) welcomes the advice contained in this value-for-money audit. The audit recognizes a 20% increase since 2005 of Ontarians aged 75 and over, which has impacted wait times for admission to long-term-care (LTC) homes.

The *Long-Term Care Homes Act, 2007* was proclaimed into force in July 2010 and recognizes the principle of access based on assessed need and LTC homes as places where residents live with dignity, security, safety and comfort. The Ministry is pleased that the Auditor has recognized that the Community Care Access Centres (CCACs), the designated placement coordinator for LTC home admission, are managing various areas of the LTC home placement process well.

Ontario's Action Plan for Health Care is a reflection of the government's commitment to better patient care. At the heart of the plan is a commitment to ensure that patients receive timely access to the most appropriate care in the most appropriate place. It is about getting the greatest value for patients from the system and ensuring seniors receive the care they need as close to home as possible.

The Ministry is committed to supporting seniors to remain in their community. For example:

- The Ontario government's Aging at Home Strategy, announced in August 2007, invested close to $1.1 billion over four years in the delivery of an integrated continuum of community-based services so seniors can stay healthy and live more independently in their homes.
- Increased investments were made in CCACs to support the transition of patients from hospital to home or community settings.
- In January 2011 the Assisted Living Services for High-Risk Seniors policy was introduced to address the needs of high-risk seniors who reside at home and require the availability

of personal support and homemaking services on a 24-hour basis to avoid premature admission to an LTC home.

The The Ministry is working on launching a Seniors Strategy with a focus on supporting seniors to stay healthy and to stay at home longer, reducing the strain on hospitals and LTC homes. The Ministry will continue to work with the Local Health Integration Networks, CCACs and the LTC home sector to identify opportunities to improve the LTC home placement process.

Detailed Audit Observations

OVERVIEW OF PLACEMENT PROCESS

In general, the key steps followed to place a client in an LTC home involve: the CCAC determining a client's eligibility and priority for LTC home accommodation through a formal assessment process; clients applying to one or more LTC homes; clients accepted by the LTC homes being put on a wait list if a bed is not available; and clients at the top of a wait list being offered a bed. Figure 2 illustrates these key steps.

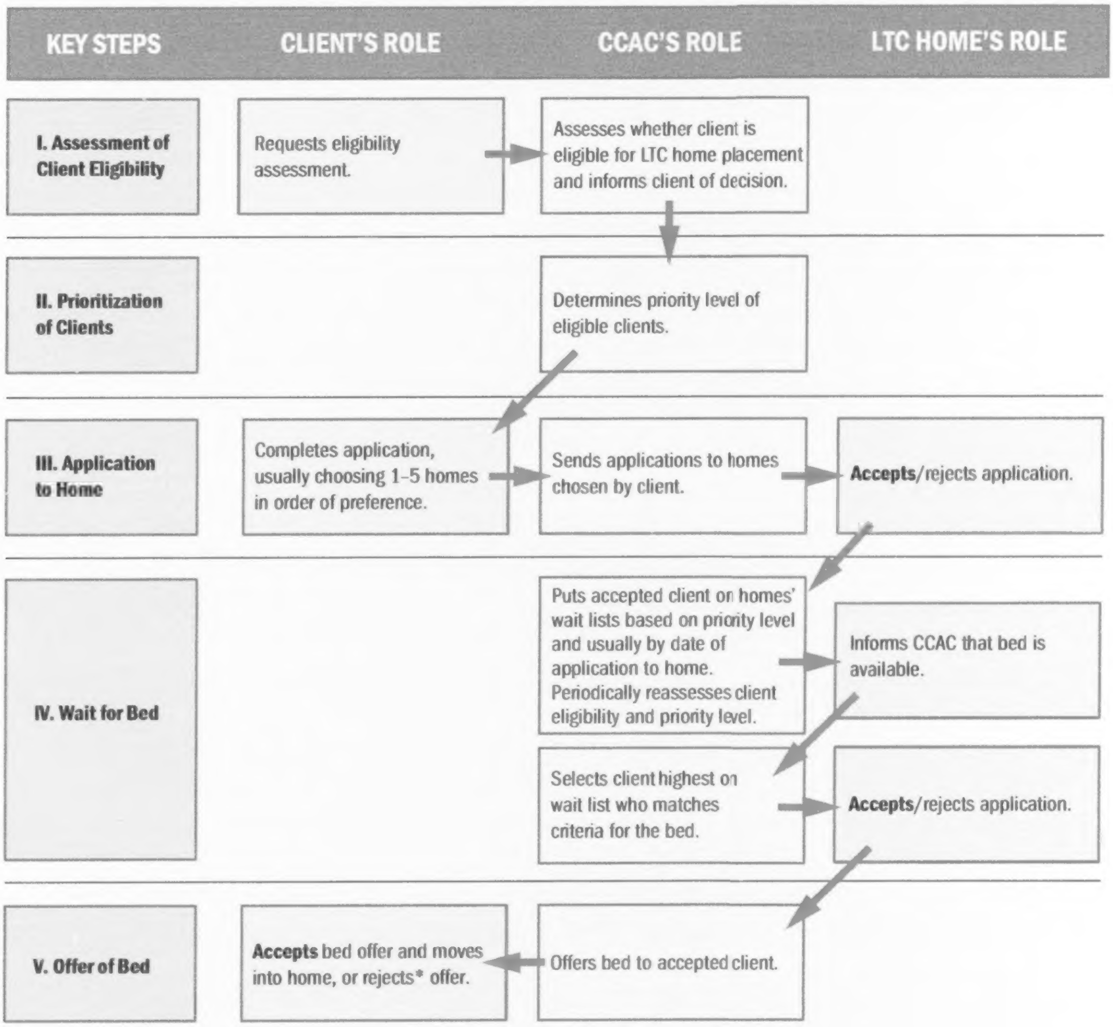
INITIATIVES

The Ministry has supported a number of initiatives to help the LTC home placement process work consistently, fairly and in the most timely manner possible:

- From 2007 to 2012, the Aging at Home program helped seniors stay in their homes longer through home-care assistance and thereby postponed or reduced the need for long-term-care accommodation. Although this initiative has ended, the Ministry indicated that the LHINs are continuing to implement community-based programs and services that support seniors, including programs and services designed to relieve pressures on hospitals and LTC homes by helping to find the appropriate health-care setting for clients.
- In 2008, LHINs working with CCACs introduced the Wait at Home approach to provide CCAC-organized homemaking and personal support services to higher-needs clients who required more help than that provided in regular home-care hours. This enabled clients to wait in their homes for a long-term-care vacancy rather than waiting in hospital.
- In July 2010, the *Long-Term Care Homes Act* took effect. Among other things, it introduced stricter eligibility criteria for LTC home placement. For example, it no longer permitted people access based solely on whether they would be financially, emotionally or physicalhy harmed if they stayed in their current residence. It also increased the number of LTC homes to which an individual may apply from three to five, and decreased the wait to reapply from six months to 12 weeks in cases where the client refuses a bed at an LTC home to which they applied.
- The provincially standardized Resident Assessment Instrument for Home Care, which is used to consistently determine clients' eligibility for long-term care and prioritize clients on the basis of urgency, is continuing to be refined.
- The piloting of Resource Matching and Referral systems, which help match hospital patients to the earliest available appropriate LTC home bed, is expected to shorten the placement process. At the time of our audit, two LHINs were testing their own systems in conjunction with their associated CCACs; the remaining LHINs were expected to pilot similar systems during the 2013/14 fiscal year.
- A document management system supported by the Ontario Association of Community Care Access Centres has been implemented by six CCACs, and the Association indicated that the remaining CCACs would also be

Figure 2: Key Steps in Long-term-care Home Placement

Prepared by the Office of the Auditor General of Ontario



KEY STEPS	CLIENT'S ROLE	CCAC'S ROLE	LTC HOME'S ROLE
I. Assessment of Client Eligibility	Requests eligibility assessment.	Assesses whether client is eligible for LTC home placement and informs client of decision.	
II. Prioritization of Clients		Determines priority level of eligible clients.	
III. Application to Home	Completes application, usually choosing 1–5 homes in order of preference.	Sends applications to homes chosen by client.	**Accepts**/rejects application.
IV. Wait for Bed		Puts accepted client on homes' wait lists based on priority level and usually by date of application to home. Periodically reassesses client eligibility and priority level.	Informs CCAC that bed is available.
		Selects client highest on wait list who matches criteria for the bed.	**Accepts**/rejects application.
V. Offer of Bed	**Accepts** bed offer and moves into home, or rejects* offer.	Offers bed to accepted client.	

* Clients who reject a bed offer are generally removed from all LTC home wait lists, but may reapply after 12 weeks. Hospitalized clients who reject a bed offer stay on the LTC home wait lists, but hospitals have the option of charging these patients a hospital-determined fee to continue waiting in hospital for an LTC home bed.

implementing this system. This system enables CCACs and LTC homes to send and receive clients' medical and placement information electronically.

- Over the next 10 years, older LTC homes containing 35,000 beds will be renovated. The Ministry indicated that the renovations will provide more modern and comfortable living, as well as improved access, including greater wheelchair access for residents, and therefore make these homes a viable option for many more people.
- A toll-free Long-term Care Action Line has been established to allow citizens to phone the Ministry with concerns and complaints about LTC homes and the placement process.

WAIT-LIST MANAGEMENT

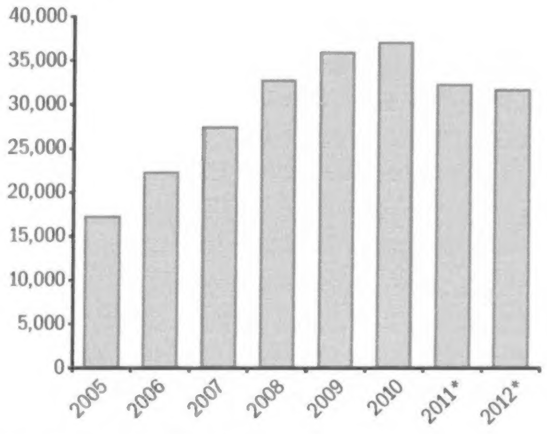
The number of people across the province waiting for an LTC home bed increased by almost 85% between March 2005 and March 2012, as shown in Figure 3, while the number of LTC home beds increased by about 3%. However, the number of people waiting decreased by almost 15% between March 2010 and March 2012. This was primarily due to the stricter eligibility criteria in the new Act.

Of the 32,000 people on the wait list as of March 31, 2012, about 19,000 (or about 60%) were waiting for placement in an LTC home. The remaining 13,000 (or about 40%) already resided in long-term care, but were waiting for another, more preferred, home.

On average, because residents tend to be older and often in poor health, they live in LTC homes for about three years. Therefore, although the numbers may vary among homes, about one-third of the 76,000 LTC home beds in Ontario become available each year.

Figure 3: People Waiting for a Long-term-care Home Bed, 2005–2012

Source of data: Ministry of Health and Long-Term Care



Note: Data as of March 31 each year.

* Reduction due primarily to tightened LTC home eligibility rules.

Determining Client Eligibility

To be eligible for an LTC home, individuals must be at least 18 years old and insured under the Ontario Health Insurance Plan. In addition, they generally must require the availability of 24-hour nursing care, supervision in a secure setting, or frequent assistance with activities of daily living such as dressing and bathing.

Timing until Assessment

Potentially eligible candidates come to the attention of CCACs in a number of ways: people may apply for long-term care on their own or on someone's behalf; the physician of a hospitalized individual may refer him or her to a CCAC; or CCAC staff may refer an existing client.

If the individual is not an existing client, the CCAC generally conducts a preliminary assessment within a few days to determine how urgently a full eligibility assessment for long-term care should be completed. If the preliminary assessment indicates that the client is likely to require home care for more than 60 days or admission to an LTC home, ministry policy requires the CCAC to complete an eligibility assessment within the next 14 days. However, if the client seeking LTC home admission is already receiving CCAC services, there is no similar requirement. To help reduce the time patients spend waiting in a hospital bed, two of the CCACs we visited had established stricter internal policies on the timeframe to assess them—three days at one and five days at the other—regardless of whether they were already receiving CCAC services.

According to ministry information for the 2011/12 fiscal year, province-wide the CCACs completed almost 80% of the assessments for hospitalized individuals within 14 days of receiving the request for LTC home accommodation; for people applying from home, 60% were assessed within 14 days and 90% were assessed within 54 days.

Reviewing Alternatives

To enable people to live at home as long as possible, the Act requires that CCACs review all community-based alternatives before determining that a client is eligible for long-term care. For people who do not need the full range of LTC home services, alternatives might include more day or respite programs, or supportive-housing and assisted-living options—for example, people live in their own apartment in a building that has on-site care available.

Almost all cases we reviewed at the CCACs visited indicated that at least some alternatives to an LTC home were investigated. However, satisfaction surveys conducted by those CCACs indicated that between 30% and 44% of clients did not feel they were informed of all the available alternatives (the CCACs each surveyed a relatively small number of LTC home placement clients). One CCAC indicated that many clients received CCAC care at home over an extended period, and that alternatives were explored during that time.

According to a 2012 report by Health Quality Ontario, a provincial agency that monitors and reports on health care, in the 2010/11 fiscal year nearly 20% of the CCACs' home-care clients who were subsequently placed in long-term care could have stayed in their homes or been placed elsewhere in the community. In 2011, a Ministry-commissioned report, *Caring for Our Aging Population and Addressing Alternate Level of Care,* indicated that 37% of clients waiting in hospital for an LTC home bed have care needs that are no more urgent or complex than those of many people being cared for successfully at home. This report also suggested that LTC homes should focus more of their capacity on restorative and transitional care programs (which promote, for example, the recovery of strength, endurance and functioning) that might assist clients in moving out of hospital more quickly and potentially returning to their own home rather than residing in an LTC home. However, these programs represented only about 2% of the LTC home system capacity at the time of the report.

Assessing Client Needs

CCAC staff—generally a case manager or a placement co-ordinator—determine clients' eligibility for an LTC home using the provincially standardized Resident Assessment Instrument for Home Care (RAI-HC). This assesses, among other things, the client's level of functioning, behaviour patterns and requirements for personal care. It includes a Method for Assigning Priority Levels (MAPLe), which helps determine the urgency of the client's need for long-term care. A rating score is generated based on the results of the assessments.

A client whose RAI-HC score is 7 or less is usually not considered eligible for an LTC home, while a client with a score of 11 or more is considered eligible. Determining eligibility of clients with scores of 8 to 10 is generally based on the MAPLe score and the case manager's professional judgment of the extent of caregiver burden present in the client's situation. At two of the three CCACs we visited, a senior manager was required to review the decision if a client had a score of 8 to 10, and eligibility was often based largely on caregiver burden. The third CCAC had no formal secondary review process, but indicated that it was implementing one.

As part of the eligibility determination process, the Act requires that a physician or registered nurse complete a health assessment. This five-page assessment provides information on, among other things, the client's condition, including any medications. The three CCACs told us that these assessments do not add much value to the eligibility process, as they are often not fully completed by the client's physician and duplicate information obtained through the RAI-HC. The Ministry indicated that the health assessment is an intentional secondary review to better ensure that all client information is accurate. We were informed that, in 2010, the Provincial Placement Committee (a group comprising representatives from each CCAC and the Ontario Association of CCACs) recommended discontinuing these health assessments. However, they were still required at the time of our audit.

According to information we received from the Ministry, in the 2011/12 fiscal year the CCACs conducted more than 40,000 eligibility assessments of more than 36,000 individuals province-wide; some people are assessed more than once, for instance if they change their minds about long-term care. The CCACs determined that more than 33,000 applicants were eligible for an LTC home. At the three CCACs we visited, the percentage of applicants who met the placement eligibility criteria ranged from 88% to 93% that year. Rejected applicants may appeal their case to the Health Services Appeal and Review Board, an independent quasi-judicial tribunal established by the Ministry. The three CCACs informed us that appeals rarely occur.

Determining Initial Priority Level of Clients

In the event that accommodation is not available immediately, names are added to the LTC home's wait list based on each client's priority level. The Act stipulates the priority levels and the eligibility for each level. The CCACs are responsible for determining at which priority level clients should be placed. The Ministry and CCACs told us that the highest priority levels are seldom used—only 33 such clients were on the wait list as of March 31, 2012. These priority levels include a category for veterans (who are eligible for veterans' beds, which are less than 1% of all LTC home beds), and a category for clients requiring readmission to an LTC home after being discharged involuntarily, such as following an extended hospitalization. Figure 4 outlines the other, more commonly used priority levels.

Not all the priority levels are based exclusively on medical need—for example, the federally supported veterans' beds in LTC homes are available to veterans, even if they have no health-care needs or would not otherwise be eligible. These beds therefore may not be available for clients with care needs. Similarly, under priority levels 3B and 4B, spouses of current residents wishing to live in the same LTC home do not require any care needs to be eligible. And, while category 2 clients must have care needs, these clients are prioritized within level 2 based on their spouse/partner's date of admission to the home, even though their care needs may not be as high as others'. Therefore, in many of these cases, clients with lesser care needs may be ranked ahead of clients with higher care needs.

If a person's condition deteriorates, he or she may be re-prioritized to a higher level. However, clients will be placed on the 3A and 4A wait list using their original 3B or 4B wait-list date—and therefore possibly ahead of other 3A or 4A clients who have been waiting at a higher-needs priority level for a longer time.

All three of the CCACs used judgment in determining which clients were a crisis priority, including a determination of the caregiver's burden. Caregiver burden considerations can potentially give one client priority over another whose needs are more urgent and whose caregiver burden is at least as arduous but whose caregivers are less insistent. To reduce the risk of inappropriately designating clients as crisis, one CCAC required a senior manager to review each crisis designation and sign a crisis approval form. In most of the files we reviewed, the senior manager had signed this form. Another CCAC required a second case manager to review each crisis designation. However, 50% of the files we reviewed did not indicate whether this review had been completed. The third CCAC did not require crisis designations to be reviewed by a second person, but said that more borderline cases could be discussed between case managers.

We noted that two of the CCACs used additional factors, which were not specifically based on needs, for designating clients as crisis. For example, one CCAC's policy included designating clients as crisis if they had waited three years in an LTC home that was not their first choice. Another CCAC, which had a program to enable hospitalized clients to wait at home for an LTC placement, designated such clients as crisis once they had waited at home for 30 days, mostly because of difficulties the clients had with coping at home.

Patients waiting in hospital for an LTC home bed are generally prioritized as a 3A or 4A, with no priority over people waiting in the community. We noted that one other province gives a higher

Figure 4: Commonly Used Long-term-care Home Priority Levels

Source of data: *Long-Term Care Homes Act* and Ministry of Health and Long-Term Care

Description	Priority Level	Eligibility Criteria	Ranking within Priority Level
Crisis	1	• Client requires immediate placement, such as a client with dementia whose primary caregiver dies • Client waiting in a hospital that the LHIN has declared "in crisis" to free up beds when the hospital is experiencing severe capacity pressures	By urgency of client's need for placement
Reunification with spouse/partner who already resides in the LTC home	2	Client is eligible based on care needs and wishes to reside in the same LTC home as spouse/partner	By date of spouse/partner's admission to the home
Clients who are of, or whose spouse/partner is of, the same religion, ethnic origin or linguistic origin that the LTC home specializes in	3A	Client or spouse/partner has applicable background, and client: • has higher care needs*; • is waiting in hospital; or • is residing in another LTC home, but this is their first choice of LTC homes	By date of application to LTC home
	3B	Client or spouse/partner has applicable background, and client: • does not meet eligibility for 3A, but is otherwise eligible based on care needs; • is residing in another LTC home and has applied for a bed in this home, but this is not their first choice of homes; or • does not have care needs, but wishes to reside with spouse/partner who is already in the home	By date of application to LTC home
Other clients	4A	Client not eligible for any other higher priority level who: • has higher care needs*; • is waiting in hospital; or • is residing in another LTC home, but this is their first choice of LTC homes	By date of application to LTC home
	4B	Client not eligible for any other higher priority level who: • is eligible based on care needs; • is residing in another LTC home and has applied for a bed in this home, but this is not their first choice of homes; or • does not have care needs, but wishes to reside with spouse/partner who is already in the home	By date of application to LTC home

* The Provincial Placement Committee's guideline indicates that clients with higher care needs are generally those with a RAI-HC score of 16 or higher, or those with both a RAI-HC score of 11 to 15 and a MAPLe score of 4 or higher.

wait-list priority to people who are waiting in the hospital, in order to more quickly free up hospital beds for other patients. In Ontario, in order to free up hospital beds more quickly when a hospital is experiencing severe capacity pressures, the LHIN can declare the hospital to be "in crisis," and all patients waiting for an LTC home in this particular hospital are generally given crisis priority. When these patients move up to the crisis priority level, it causes other 3A/4A patients, both in other hospitals as well as in the community, to wait longer for an LTC home. In 2011, two of the CCACs we visited had a combined total of nine hospitals declared in crisis; and one of the hospitals was designated as being in crisis for most of that year.

The Act requires that crisis clients be prioritized on the basis of urgency of need. However, the CCACs we visited told us that all crisis clients have high needs, so it is often hard to distinguish whose needs are more urgent.

One of the CCACs prioritized crisis clients on the basis of their total wait time for an LTC home. Another CCAC prioritized most crisis clients on their total wait time as well, but also maintained a "high-crisis" list that gave top priority to clients with the most urgent needs waiting in the community. The third CCAC generally gave priority to crisis clients according to their wait time in just the crisis category.

After crisis clients, spouses and partners—including relatives or friends—of current LTC home clients are the next-highest-level priority. During our audit, the Ministry clarified its definition of partner to include only those individuals who had lived with the client during the year preceding the client's application to an LTC home. All three CCACs visited had adopted this clarified definition.

The Act gives clients seeking LTC homes that serve their religion, ethnic origin or linguistic origin a category 3 priority level. Although no documentation is required to be placed in this priority level, it is important for CCACs to accurately identify clients who are entitled to this priority. However, for three of the specialty homes at one CCAC, 26 clients, accounting for 75% of all the clients ranked at the priority level 4A/4B, actually qualified for the higher 3A/3B priority level. We brought these cases to the attention of the CCAC, which reclassified them to priority level 3A/3B. While all the clients moved up the wait list, nine of the clients moved up the wait list by more than 600 people. This CCAC indicated that, because no one moved to the top position on the wait list, none of these clients had missed a bed offer.

Placing Clients on the Wait List

Client Application to Homes

The Act requires CCACs to provide clients with information on the implications of different LTC home choices, and, if the client wishes, assistance in selecting homes. Clients eligible for an LTC home generally select a maximum of five homes, with crisis clients permitted to select an unlimited number of homes. Clients complete an application for the home(s) to which they wish to apply; if more than one is selected, they rank them in order of preference. This application is provided to the CCAC. However, there is no deadline for completing the application. This gives clients and their family time to consider their options carefully. However, for hospital patients it can also extend the time that they occupy a hospital bed.

Under the Act, clients have the right to voluntarily choose which LTC home(s) they want to apply to; in February 2011, and again in May 2012, the Ministry clarified with the LHINs that clients cannot be required to choose from a pre-selected list of homes. In essence, clients can only be placed in a home that is acceptable to them. However, we noted that one CCAC had a policy of asking crisis clients to select homes with current vacancies or short waiting lists if the applicant's selected home(s) could not accommodate immediate admission. If the client did not agree to do this—perhaps because of distance from family or because the homes were older facilities—he or she might lose the crisis designation, and be moved to a lower priority level by the CCAC. We noted that another CCAC had a policy in place until October 2011 that required crisis clients to choose all homes within 70 kilometres of their residence, or similarly risk losing their crisis designation. However, the Ministry required this CCAC to change the policy, stating that the crisis designation is based on the clients' condition or circumstances, not on their willingness to consider alternative LTC home choices. This CCAC indicated that it focuses on clients requiring immediate placement when designating clients as crisis.

Numerous studies have shown that remaining in hospital longer than medically necessary, including waiting in hospital for an LTC home, can be detrimental to a person's health for various reasons, among them the potential for a hospital-acquired infection such as *C. difficile*, and, for older patients, a decline in physical and mental abilities due to lack of activity. As well, it is much more costly for a person to wait in hospital than in an LTC home or at home with appropriate home-care support, and it might prevent another person requiring hospital care from occupying that bed. We determined using ministry data that, during the 2011/12 fiscal year, 19% of clients waiting in hospital had applied to only one home. In fact, at one CCAC we visited, 35% of clients waiting in hospital had applied to only one LTC home. While this practice would tend to increase the time clients wait in hospital for a bed in their preferred home, we noted that the median wait time province-wide for 3A and 4A hospitalized clients was about half that of people waiting in the community. This may be due to hospitals encouraging clients to apply to homes with vacant beds.

Rather than allowing patients to wait in hospital for their preferred home, our research indicated that many other provinces have stricter policies: five provinces require the patient to go to the first vacant bed in any LTC home; and two provinces require patients to go to any LTC home within 60 and 100 kilometres, generally of their home, respectively.

Acceptance/Rejection by LTC Homes

The CCAC forwards client applications, including information on the client's care needs, to the applicable LTC homes. At the three CCACs visited, this information was usually faxed. At the time of our audit, the Ontario Association for Community Care Access Centres was piloting a system at six CCACs for the electronic transmission of documents to and from LTC homes.

Under the Act, LTC homes generally have five business days to accept or reject an application. If the home requires more information from the CCAC, the home has three additional days after it receives the information to make its decision. According to ministry data, in the 2011/12 fiscal year LTC homes province-wide made a decision on 65% of the applications within five business days. LTC homes responded to 90% of applications within 28 days.

We were informed that LTC homes rarely reject clients unless they have very high care needs; in the 2011/12 fiscal year, only about 1% of clients' applications were rejected. An accepted client can move into the LTC home immediately if a bed is available. However, in most cases the client is added to the home's wait list based on the client's priority level because no bed is currently available.

Reassessing Clients

In some cases a client's condition can deteriorate significantly while waiting for an LTC home bed. These changes might merit adjusting the client's priority level to a higher level, such as a crisis priority. As well, when beds become available, LTC homes require up-to-date information about the care needs of the clients who are moving in.

CCACs may be made aware of changes in a client's condition by various means, for instance when the client's family contacts the CCAC or when the CCAC conducts a reassessment. The Act requires that clients have an assessment or reassessment within three months of their placement in long-term care, which helps ensure LTC homes have up-to-date information to prepare for the client's needs. This involves completing all aspects of the initial eligibility assessment again, including the RAI-HC assessment and the health assessment (generally obtained from the client's physician). As well, ministry policy states that a reassessment of the RAI-HC should be completed every six months. This applies to clients requiring care at home, to ensure their care plans meet their needs, as well as to clients not receiving care at home and hospitalized clients. CCACs province-wide completed a combined total of about 36,000 reassessments of clients on LTC home wait lists in the 2011/12 fiscal year.

The CCACs visited confirmed that it is challenging to complete all required reassessments, and therefore they used their resources as follows:

- Two CCACs ensured that assessments/reassessments for the 10 highest-priority clients on each home's wait list had been completed in the past three months. As well, one CCAC indicated that clients with conditions that were likely to change would be reassessed every six months, while the other CCAC indicated that it conducted as many six-month reassessments as possible.
- The third CCAC's approach was to reassess 3A/4A clients every three months and 3B/4B clients every six months. (Clients ranked 3A/4A at each home are eligible for beds before 3B/4B clients.)

For hospitalized clients and clients not receiving CCAC care at home, conducting a quick "touch-base" with clients and other appropriate persons, including families, could more quickly provide the CCAC with information on whether a client's condition has changed, and therefore whether a more formal reassessment is needed to determine, for example, whether a client's priority level might have also changed. Furthermore, identifying and reassessing clients who are likely to be placed within the next three months, such as those nearing the top of the wait lists, might provide LTC homes with the information needed to prepare for clients without requiring that the CCAC repeatedly conduct a formal reassessment of all individuals every six months.

As well, a quick "touch-base" might identify clients already in an LTC home who stayed on wait lists for other more preferred homes, but who have subsequently decided to remain where they are. One CCAC indicated that it followed up with clients after six weeks, and all three CCACs indicated that they followed up annually, for example, as part of client reassessments. However, one CCAC visited did a one-time check of clients already in an LTC home who were on the wait list for another home, resulting in about 10% of those clients being removed from the wait lists.

Placing Clients in LTC Homes

When a bed becomes available, the LTC home notifies the CCAC and provides information on the type of bed. This information includes whether the bed is basic (varies from one or two people per room in newer homes, to three or four people in older homes) or preferred (that is, semi-private or private) to match the client's request; whether a bed in a shared room is appropriate for a male or female; and whether the bed is in a locked area and appropriate for clients requiring secure accommodation.

Once notified, the CCAC selects the client at the top of that home's wait list who matches the specifications of the available bed. To better match hospital patients to the first available appropriate LTC home bed, Resource Matching and Referral systems were being piloted in two LHINs, and the remaining LHINs were expected to pilot similar systems during the 2013/14 fiscal year. The CCAC then sends current information on the selected client to the LTC home. The LTC home reviews the information and may accept or reject the client. Rejections from LTC homes at this stage are generally because the client's needs have changed significantly since the home accepted the initial application. If the applicant is rejected, the client is notified and the CCAC generally removes this client from the home's wait list and proceeds to the next person. Rejected clients may apply to another home.

If the client is accepted, the CCAC contacts the individual and offers him or her the bed. Under the Act, the client has 24 hours to respond. If the client accepts the bed offer, the Act requires that he or she move into the LTC home within five days. Our review of ministry data indicated that 83% of beds offered to clients were accepted province-wide in the 2011/12 fiscal year. Furthermore, 36% of the clients who were placed got their first choice of homes. Other people who had not selected the home as their first choice nonetheless were offered the bed, and, after accepting, generally remained on the wait list for their preferred home(s).

If a client applying from the community rejects a bed, he or she is generally removed from all LTC home wait lists for a period of 12 weeks. If the client was waiting in hospital, he or she may remain on the wait list for LTC homes, but under the *Public Hospitals Act* the hospital has the option of charging the client a hospital-determined fee to continue waiting in a hospital bed.

In the latter half of the 2010/11 fiscal year, two of the CCACs visited incorporated a process into their information system to assist in tracking the status of available LTC home beds, including when the bed became available, to whom the bed was offered, the date the bed was offered, and whether the client accepted or rejected the bed. The third CCAC used spreadsheets to track this information but indicated that it was implementing an integrated system similar to that of the other CCACs.

We noted that CCACs did not periodically review client placement decisions in order to ensure the highest-priority person was offered the available bed. Furthermore, the information system used by the CCACs did not have the capability to retrieve what an LTC home's wait list looked like on a specific date, and therefore CCACs could not review these decisions after the fact.

RECOMMENDATION 1

To better ensure that higher-needs clients are identified and placed in long-term-care homes (LTC homes) as soon as possible, Community Care Access Centres (CCACs) should:

- develop a consistent province-wide process for ranking clients within the crisis priority level;
- in consultation with the Ministry, consider conducting a periodic "touch-base" to determine whether wait-listed clients' condition or circumstances have changed and therefore require a reassessment of their needs, rather than conducting formal reassessments of all clients every six months as is currently required; and
- conduct periodic independent reviews of placement decisions to ensure that the highest-priority client matching the bed specifications (such as male versus female, and private versus semi-private and basic accommodation) is offered the first available LTC home bed.

CCAC RESPONSE

All of the CCACs visited agreed with this recommendation and indicated that they would:

- work with the Provincial Placement Working Group (a group comprising representatives from each CCAC and the Ontario Association of CCACs) to develop a consistent province-wide process for ranking clients within the crisis priority level;
- work with the Ministry of Health and Long-Term Care to create a province-wide standardization of the current CCAC processes to include a periodic "touch-base" to determine whether wait-listed clients' conditions or circumstances have changed and whether a formal reassessment is required; and
- in conjunction with the Ontario Association of CCACs, develop the necessary reports to conduct periodic independent reviews of placement decisions to ensure that the highest-priority client matching the bed specifications is offered the available LTC home bed.

RECOMMENDATION 2

To help clients move out of hospital more quickly and to help manage growing wait lists, the Ministry of Health and Long-Term Care

(Ministry) should consider options employed by other jurisdictions, as well as making more community alternatives to long-term-care (LTC) homes available and having LTC homes provide more restorative and transitional care programs to improve, among other things, clients' functioning.

As well, to better ensure that clients assessed as eligible for an LTC home are placed as soon as possible, the Ministry should streamline the client health assessment (to avoid duplicating information that is already obtained as part of the eligibility assessment and to avoid potentially delaying the process).

MINISTRY RESPONSE

The Ministry values the Auditor General's recommendation and will continue to demonstrate its commitment to supporting seniors to remain in their community through more community alternatives. For example:

- As part of Ontario's Action Plan for Health Care the Ministry has announced a Seniors Strategy focusing on supporting seniors to stay healthy and live at home longer through enhanced preventative care and home-care services, thereby reducing pressures on LTC homes and hospitals. The strategy will help inform decisions regarding the role of restorative and short-stay programs in LTC homes and the future development of community alternatives closer to home.
- The 2012/13 Community Sector Investment in home care and community services announced in the 2012 Ontario Budget was allocated to the Local Health Integration Networks (LHINs) in August 2012 to increase investments in home care and community services to support seniors and other Ontarians at home and to reduce the numbers of emergency room visits, patients waiting in hospital for an alternative level of care, and avoidable hospital readmissions. The government also signalled its intent to increase financial support to the community sector for three fiscal years.
- Regulatory amendments made in June 2008 and September 2009 enabled innovation and flexibility in the delivery of Community Care Access Centre (CCAC) home-care and community services. Service maximums for personal support/homemaking and nursing were increased, and new services and service locations were introduced.

The current health assessment requirements were a response to concerns relating to the content and timing of assessments during the placement process that were identified as a result of a Coroner's Inquest into the deaths of two residents at the hands of another resident on his first day of admission (Casa Verde Nursing Home). In some instances duplication is a necessary part of verifying information about a client's status and is a critical component of a comprehensive assessment. The Ministry will work with the CCACs and LTC homes to review the health assessment process and will look for opportunities to reduce unnecessary duplication in the process.

WAIT TIMES

According to ministry data, 50% of clients province-wide (excluding crisis, spousal/partner reunifications and persons waiting for a transfer to another home) were placed in an LTC home within 98 days in the 2011/12 fiscal year, with 75% of clients placed within 10 months and 90% of clients placed within about two years. This reflects the wait from the time a CCAC received a client's request to be assessed for an LTC home until the client was placed in a home. The median wait for all clients not yet in an LTC home, including crisis and spousal/partner reunification, drops to 85 days, primarily due to 90% of crisis clients being placed within three months of being designated as crisis. During the 2011/12 fiscal year, 15% of clients died before receiving LTC home accommodation.

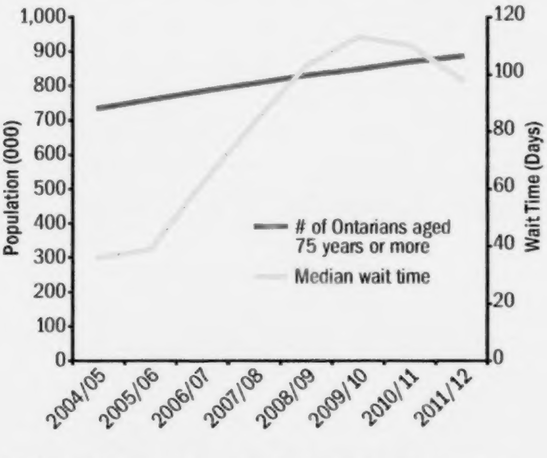
Wait Time Trends

As Figure 5 shows, the median wait times have almost tripled from 36 days in the 2004/05 fiscal year to 98 days in the 2011/12 fiscal year. An increase in the number of LTC home beds of 3% during that period has not kept pace with the rising demand from an aging population. However, the wait time has decreased since 2009/10, due in part to tighter eligibility requirements under the new Act that took effect in July 2010.

About 85% of LTC home residents are aged 75 and over, and between 2005 and 2012 the number of Ontarians aged 75 and older increased by more than 20%. According to Statistics Canada, between 2012 and 2021, Ontario's population aged 75 and older is expected to increase by almost 30%. This trend will likely increase the demand for long-term care, although enhanced community alternatives could meet some of these needs. As well, beginning in 2021, the first of the baby boomer generation—those born between 1946 and 1964—will start to turn 75, at which point the demand for long-term care is expected to become even greater.

Figure 5: Long-term-care Home Median Wait Times* and the Number of Ontarians Aged 75 and Older, 2004/05–2011/12

Source of data: Ministry of Health and Long-Term Care and Statistics Canada



* Excludes crisis, spousal-partner reunifications and transfers between LTC homes.

Wait Times by CCAC and Client Priority

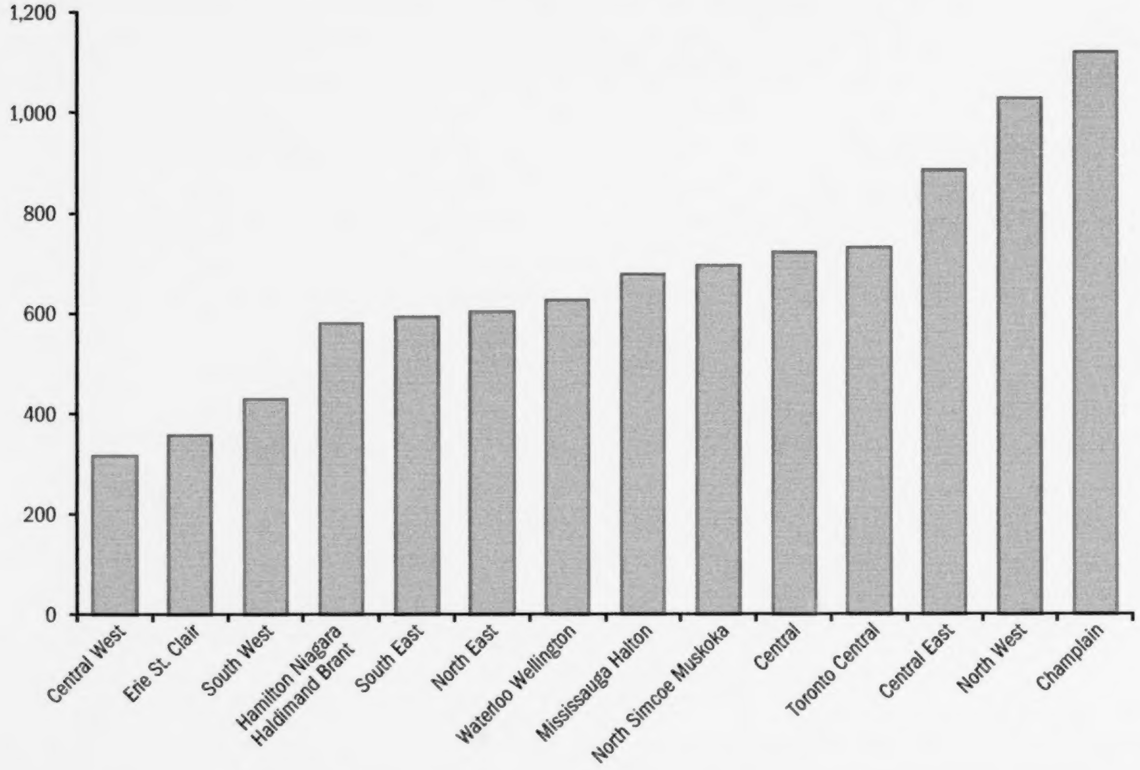
Ministry data indicates that applicants who live in some areas of the province get into LTC homes more quickly. In particular, median wait times for LTC homes in the 2011/12 fiscal year ranged from a low of 50 days at the Erie St. Clair CCAC to a high of 187 days at the North West CCAC. (Overall, 90% of clients were placed within a low of 317 days at the Central West CCAC to within a high of about 1,100 days at the Champlain CCAC, as shown in Figure 6.) Part of this variance reflects differences among CCACs in the demand for long-term care due to population health and age characteristics in that region of the province, as well as the number, age and location of LTC home beds.

According to the Ontario Hospital Association, as of March 31, 2012, about 1,000 people were waiting province-wide in an acute-care hospital bed for a bed in an LTC home; another 1,000 were waiting in other types of hospital beds, such as rehabilitation or mental health beds. We noted that the number of people waiting in hospital for an LTC home bed had decreased by about 25% since March 2010. However, for those still waiting, the wait time until placement had significantly increased. Ministry information indicated that, in the 2011/12 fiscal year, about half of the acute-care patients were placed within about two months (within one month in the 2009/10 fiscal year), with 90% placed within 495 days (within 128 days in 2009/10). Wait times in hospital tend to be longer for harder-to-care-for patients, for example, people who have dementia, are significantly overweight, or require frequent medical treatments such as dialysis.

The Act requires CCACs to provide an "estimated wait time" to clients who request information on their expected wait. The CCACs visited said that clients have become upset if their actual wait time

Figure 6: Number of Days Within Which 90% of Each CCAC's Clients Were Placed, 2011

Source of data: Ministry of Health and Long-Term Care



exceeded the estimate. Therefore, the CCACs generally tell clients how long the top person on the wait list, at the same priority level as the client, has been waiting so far. We reviewed ministry wait-list data as of March 31, 2012, to see how long clients had been waiting. For those in the crisis category, including those who previously waited at a lower priority level, their median total wait time up to that point was 94 days. People in categories 3A and 4A had been waiting a median of 423 and 309 days, respectively, with people in categories 3B and 4B (considered to have lower needs than 3A and 4A clients) waiting a median of 712 and 587 days, respectively.

In the 2011/12 fiscal year, about 5,600 (or 22%) of the LTC home placements were for clients in the crisis priority level and another 71% were from the generally higher-need categories 3A and 4A. As shown in Figure 7, based on the number of people waiting and the number actually placed in the prior year, the expected time to placement for people in the lower priority levels could often be many years.

As well, the high priority given to crisis clients may make it difficult for non-crisis clients to get into some homes. For example, ministry data shows that at more than 70 LTC homes, at least half of admissions during the 2011/12 fiscal year were crisis clients. In fact, at one CCAC visited, crisis clients made up two-thirds of placements to the four most popular LTC homes—that is, the homes with the longest wait lists. Furthermore, ministry data showed that more than 40% of crisis placements in the 2011/12 fiscal year were people whose priority level was escalated to crisis (for example, due to their condition deteriorating or circumstances changing, such as increased caregiver burden) in order to place them quickly after they had waited at a lower priority level, in some cases for an extended period of time.

Figure 7: Number of Clients Waiting for Long-term Care, Number of Placements and Expected Average Time to Placement for Commonly Used Priority Levels

Prepared by the Office of the Auditor General of Ontario

Priority Level	# of People Waiting as of March 31, 2012	# of People Placed During the 2011/12 Fiscal Year	Expected Time to Placement
1 – Crisis	1,400	5,600	3 months
2 – Spousal/partner reunification	200	900	2.5 months
3A – Religious, ethnic, linguistic home (higher needs)	3,100	900	3.5 years
3B – Religious, ethnic, linguistic home	1,400	100	14 years
4A – Other (higher needs)	19,700	17,000	1 year
4B – Other	5,800	800	7 years
Total	**31,600**	**25,300**	

Impact of Client Choices on Wait Times

Although the Ministry provides funding to LTC homes, residents must make a co-payment for their accommodation costs. As of July 2012, the monthly co-payment ranged from a low of almost $1,700 per month for basic accommodation to a high of over $2,200 for private accommodation. The co-payment for semi-private and private accommodation in newer homes (that is, the approximately 55% of long-term-care beds that generally meet or exceed the Ministry's 1999 LTC home design standards) is about $30 to $50 more respectively per month than for older homes. Financial assistance is available from the Ministry if a resident is unable to pay, but only for basic accommodation.

The Act allows LTC homes to designate up to 60% of their beds as preferred—private or semi-private—accommodation, which means a minimum of 40% of their beds must be basic accommodation. However, almost 60% of clients applying for an LTC home bed requested basic accommodation. Therefore, clients who can afford to pay for preferred accommodation may get placed faster than clients applying for basic accommodation, regardless of their medical needs.

Furthermore, people pay the same rate for basic accommodation in homes of any age, even though basic accommodation in a newer home has only one or two people per room, compared with up to four people per room in an older home. Partially as a result of this, newer homes tend to have longer wait lists (many over 1,000 people), while less desirable homes may have empty beds for lengthier periods of time. Therefore, clients selecting less desirable LTC homes that have available beds or short wait lists can get placed more quickly.

Public Reporting of Wait Times

Health Quality Ontario publishes the overall provincial LTC home wait time annually. However, no information was reported on regional wait times or, more specifically, the wait times for each LTC home. Reporting wait times for particular homes is somewhat complex because wait times vary based on a number of factors, including the priority level of the client and the type of accommodation chosen.

In August 2012, one of the CCACs we visited began publicly disclosing on its website information on wait times for each LTC home in its region, including the number of clients waiting for each type of accommodation, the average number of days that clients have waited so far, and the average number of beds that became available monthly. We believe this is a good initiative for providing public wait time information.

RECOMMENDATION 3

To better ensure that clients have sufficient information on the long-term-care (LTC) home placement process and wait times for LTC home admission, the Ministry of Health and Long-Term Care (Ministry), in conjunction with the Community Care Access Centres (CCACs), should:

- provide the public with detailed information on the LTC home admission process and the policies in place to ensure the process is administered equitably;
- examine options for encouraging greater utilization of basic accommodation in less desirable homes; and
- promote the public disclosure of information that would help people choose which LTC homes to apply to, such as wait times by home, by type of accommodation—private, semi-private and basic—as provided on one CCAC's website, and wait time by priority level.

MINISTRY RESPONSE

The Ministry agrees with the principles identified in the recommendation and will work with the CCACs, through the Ontario Association of Community Care Access Centres, to continue to promote ongoing and timely communication of appropriate information regarding the LTC home placement process. The Ministry will continue to work in partnership with CCACs in the ongoing review of these policies and processes. Further, the Ministry regularly reviews the policies and processes to ensure maximum utilization of all levels of accommodation in all homes.

CCAC RESPONSE

Although this recommendation was not directed toward the CCACs, one CCAC highlighted its support for the disclosure of information that would help people choose which long-term-care homes to apply to, such as average wait times by home.

OVERSIGHT

The Ministry is responsible for ensuring compliance with the *Long-Term Care Homes Act* (Act), which includes the LTC home placement process. The Ministry indicated it commenced monitoring the placement process in fall 2011, primarily by following up on complaints it received directly. We noted that the three CCACs visited all had processes in place for handling complaints. They indicated that very few complaints—on average, fewer than 20 per year—had been received about their LTC home placement process. Although one CCAC provided some general complaint statistics to its LHIN, no other information on complaints was regularly provided by the CCACs to either the LHINs or the Ministry.

Otherwise, the Ministry has delegated the oversight of the CCACs to the LHINs. The *Local Health System Integration Act* restricts LHINs' access to information on individual clients. However, through the LHINs' performance agreements with the CCACs, the LHINs receive information on the percentage of higher-needs clients who are placed in LTC homes. Furthermore, the CCACs visited all provided additional information to their LHINs regarding the LTC home placement process, such as the number of crisis placements by location in which the client was waiting and the number of placements by hospital.

Although the Ministry agreed with the recommendation in our 2010 Discharge of Hospital Patients report, regarding the need to establish benchmark standards for completing each stage in the LTC home placement process (such as times to determine client eligibility, for hospital clients to complete applications, to get clients onto a wait list, and to place clients), there are still few benchmark standards for this process. (See the Discharge of Hospital Patients follow-up section in Chapter 4 for additional information on the current status of this recommendation.) Other performance measures that would provide the Ministry or LHINs with information about the effectiveness of the LTC placement process could include wait times for clients requesting preferred versus basic accommodation; wait times for clients waiting in hospital versus at home; percentage of clients who die while awaiting placement; and percentage of clients who receive their requested transfer to another LTC home.

RECOMMENDATION 4

To enhance the oversight of the long-term-care (LTC) home placement process, the Ministry of Health and Long-Term Care (Ministry), in conjunction with the Local Health Integration Networks (LHINs) and Community Care Access Centres (CCACs), should:

- develop consistent performance measures for monitoring the process, such as wait times for clients waiting in hospital versus at home, wait times for clients requesting preferred (that is, private or semi-private) versus basic accommodation, and the percentage of clients who receive their requested transfer to another LTC home; and
- develop target guidelines for completing each stage of the LTC home placement process, such as the times to determine client eligibility, for hospital clients to complete placement applications, and for clients to get onto a wait list.

MINISTRY RESPONSE

The Ministry will continue to review the data requirements as necessary to provide regular reporting on and monitoring of performance measures.

Chapter 3

Section

3.09 Metrolinx—Regional Transportation Planning

Background

Metrolinx, an agency of the government of Ontario, was created by the *Greater Toronto Transportation Authority Act, 2006*, now the *Metrolinx Act, 2006* (Act). According to the Act, one of Metrolinx's key objectives is to provide leadership in the co-ordination, planning, financing and development of an integrated, multi-modal transportation network in the Greater Toronto and Hamilton Area (GTHA). The GTHA consists of two single-tier municipalities (Toronto and Hamilton), four regional municipalities (Durham, Halton, Peel and York) and 24 local municipalities.

In November 2008, Metrolinx formally adopted a Regional Transportation Plan (RTP)—also known as "The Big Move"—that sets out the priorities, policies and programs for implementing a transportation system within the GTHA. The RTP, which was the result of two years of public consultation, was adopted by Metrolinx's Board of Directors (Board), which at that time included representatives from the GTHA municipalities.

Among the RTP's more significant proposals is to build more than 1,200 km of rapid transit with the aim of getting 80% of GTHA residents within 2 km of rapid transit. The timeline for implementing the RTP is 25 years. Its estimated cost of $50 billion relates only to upgrading and expanding the regional transportation network but does not include the estimated maintenance that is expected to be required to keep the additional transportation infrastructure in a state of good repair over its useful life.

In the first 15 years, Metrolinx plans to implement the priority transit projects listed in Figure 1. Metrolinx's estimate of the cost of these projects is approximately $33 billion, of which approximately $3 billion had been spent by the province as of March 31, 2012. For about half of these projects, the majority of the funding comes from a 2007 provincial commitment of $11.5 billion, along with previously announced project funding. The remaining priority projects that are funded—such as the Air Rail Link between Union Station and Pearson International Airport and projects to revitalize Union Station—are being funded from the province's capital budget for GO Transit (the commuter rail and bus system serving the GTHA, a division of Metrolinx). At the time it made the 2007 commitment, the province asked the federal government to contribute $6 billion toward the RTP's implementation. To date, the federal government has committed $1.93 billion on a project-by-project basis. The combined funding is expected to sustain the RTP's implementation until about 2018. By 2013, Metrolinx must provide the province with recommendations for funding the implementation of the

Figure 1: List of Priority Transit Projects in the Regional Transportation Plan's First 15 Years

Source of data: Metrolinx

Transit Priorities	Estimated[1] Capital Cost ($ million)	Funded	Provincial Spending as of March 31, 2012 ($ million)
Express rail service from Hamilton to Oshawa	5,970	No[2]	–
Rapid transit line in downtown Hamilton	830	No[2]	–
Rapid transit on Dundas Street in Halton and Peel	650	No[2]	–
403 transitway from Mississauga City Centre to Renforth Gateway	259	Yes[3]	89
Hurontario rapid transit from Port Credit to downtown Brampton	1,350	No[2]	–
Brampton's Queen Street AcceleRide (now Züm)	259	Yes[3]	95
Air Rail Link (ARL) between Union Station and Pearson Airport[4]	456	Yes[3]	40
Upgrades to Georgetown South line	1,501	Yes[3]	407
VIVA bus rapid transit on Highway 7 and Yonge Street through York Region	1,755	Yes[3]	295
Yonge Street subway capacity improvements and extension to Richmond Hill	2,380	No[2]	–
Spadina subway extension to Vaughan Metropolitan Centre	2,600	Yes[3]	891
Rapid transit on Eglinton Avenue	4,600	Yes[3]	471
Finch/Sheppard rapid transit	2,150	Yes[3]	
Upgrade and extension of Scarborough rapid transit line	1,400	Yes[3]	
Rapid transit service along Highway 2 in Durham	500	No[2]	–
Improvements to existing GO rail services and extension of GO rail service to Bowmanville	4,300	No[2]	–
Other Projects			
Presto fare card	701	Yes[3]	364
Union Station revitalization (a combination of projects)	1,393	Yes[3]	355
Total	**33,054**		**3,007**

1. Estimated capital costs were established in 2008, 2009 or 2010 depending on the project.
2. Funding is pending, so work has not yet been started on these projects.
3. Funding is in place for these projects, so in most cases work has begun.
4. The ARL will benefit from the upgrades to the Georgetown South line (see following row, beneath dotted line).

remaining projects contemplated under the RTP's first 15 years as well as the projects contemplated in years 16 through 25.

Audit Objective and Scope

The objective of our audit was to assess whether Metrolinx had adequate systems and procedures in place to:

- cost-effectively implement the initial stages of the Regional Transportation Plan (RTP); and
- regularly report on activities and progress toward achieving the RTP.

Senior management of Metrolinx reviewed and agreed to our objective and associated audit criteria.

We looked at the delivery to date of three major capital projects contemplated within the RTP's first 15 years, whose construction or development was under way at the time of our audit—the Air Rail Link, the Presto fare card and two significant projects that form part of the Union Station revitalization (restoring the train shed and replacing the switches in the Union Station Rail Corridor).

Our audit also assessed the processes followed and progress made in implementing the RTP since its adoption in 2008.

The audit was primarily conducted at Metrolinx's head office in Toronto, where we interviewed staff and reviewed pertinent documents. We also interviewed representatives from many of the regions and municipalities within the GTHA, along with representatives of their respective transit agencies, to obtain their perspective on various aspects of the RTP, its overall implementation and the individual projects currently being implemented within the plan. As well, we researched transportation planning in other jurisdictions similar to the GTHA to identify best practices and lessons learned that could be applied to implementing the RTP within the GTHA.

Our audit also included a review of the relevant audit reports issued by Metrolinx's internal audit department and the province's internal audit division, which were helpful in determining the scope and extent of our audit work.

Summary

In the Greater Toronto and Hamilton Area (GTHA), congested roads and highways and public transit systems that are increasingly unable to meet the transportation needs of a growing population support Metrolinx's mandate of expanding and improving regional transportation across the area. We noted that other jurisdictions facing this problem have used similar stand-alone agencies to co-ordinate regional transportation planning. Accordingly, creating a co-ordinating agency like Metrolinx is a reasonable strategy toward implementing an effective, integrated and sustainable transportation network in a large urban centre.

To successfully deliver on its challenging mandate, Metrolinx must ensure that:

- individual projects under a regional transportation plan deliver transportation that is "seamless, coordinated, efficient, equitable and user-centred";
- a credible analysis of costs and benefits, based on objective and sound data, exists for each project;
- the project management process ensures that risks are managed and that projects are delivered cost-effectively and on time;
- key stakeholders are sufficiently consulted with; and
- clear targets are in place for achieving the transportation plan, and there is regular reporting on progress in relation to these targets.

Our review of the more significant projects in the early stages of the Regional Transportation Plan (RTP) identified a number of issues that must be addressed by Metrolinx, if it is to follow the best practices outlined above. Specifically:

- We believe that Metrolinx's initial assumptions about projected annual ridership on the Air Rail Link (ARL) may well be overly optimistic. Although a final decision has not been made on whether the ARL must recover its annual operating costs and any of its capital construction costs, if operating the ARL on a break-even basis is indeed the objective, achieving that objective may not be feasible. Ministry of Transportation documentation indicated that a private-sector group that previously was the successful proponent for designing, building and operating the ARL was unable to secure financing for the venture because prospective lenders felt that despite all reasonable efforts to attract riders, the service might not generate enough revenues to be a viable business. A market assessment conducted by Metrolinx also suggests that ARL ridership may not meet the initial assumptions about ridership growth.
- A region-wide integrated transit fare system is one of the RTP's key strategies. The Presto fare card now sponsored by Metrolinx is regarded as a key component in implementing

this strategy. Metrolinx's view is that the Presto fare-card system creates the underlying technology platform needed for fare integration. But to date the card has not facilitated fare integration within GTHA transit systems because the fares across these systems are themselves not integrated. We noted the following additional issues with respect to the Presto fare-card system:

- When the Presto fare card was initially developed, the Toronto Transit Commission (TTC), which has over 80% of the GTHA's transit ridership, had not agreed to implement Presto on its system. Along with the city of Ottawa, the TTC has now conditionally approved Presto's adoption subject to satisfactory resolution of some key issues. However, to meet the requirements of Ottawa and Toronto, Presto Next Generation (PNG) is currently being developed at an anticipated cost of $498 million. In total, more than $700 million could be paid to the contractor for developing the original Presto system and PNG. We acknowledge that Presto is intended to be the primary fare collection system on GO Transit and municipal transit agencies in the GTHA and therefore must be flexible enough to meet the needs of agencies and to adjust to new technologies as they become available; however, it will be among the more expensive fare-card systems in the world.
- Rather than competitively tendering the development of PNG, Metrolinx decided to develop it by way of open-ended change orders under the existing vendor's contract. We believe that tendering would, at the very least, have informed Metrolinx of potential new developers and whether other vendors might have had more cost-effective technology solutions.
- Since going into service approximately two years ago, Presto's overall usage within participating GTHA transit systems as of March 31, 2012, was only about 18%. Although seven of the eight municipal transit agencies in the 905 area code have implemented Presto, overall Presto usage on those systems was even lower, at only 6%. These transit agencies currently cannot completely eliminate their old fare systems in favour of Presto because of some of the fare card's limitations.
- The contract for the Presto base system contains 22 measures designed to gauge the contractor's performance in such areas as system availability and customer management. In 2011, the contractor failed to meet the set standard in nearly a third of the measures, but Metrolinx did not seek any of the related penalties stipulated in the contract. The contract also contains reliability measures for the devices used by the Presto base system, but neither the contractor nor Metrolinx tracks this information.
- The two major projects related to the revitalization of Union Station have experienced significant cost increases over their initial cost estimates. For instance, the cost of restoring the train shed could now reach $270 million—25% over Metrolinx's initial estimate. Similarly, the cost of replacing the switches in the Union Station Rail Corridor could be more than twice the amount of the original purchase order, which totalled about $38 million.

Although those GTHA municipalities and transit agencies we talked to questioned the priority given to some of the RTP's projects, they generally supported the plan as currently conceived. However, some GTHA municipalities indicated that Metrolinx needs to provide more regular updates on the major projects under the RTP and on the RTP's overall status, including the strategies being considered to fund projects contemplated under the plan that are not yet funded.

OVERALL METROLINX RESPONSE

Metrolinx welcomes the Auditor General's observations and recommendations. We have already taken action to address many of the Auditor General's recommendations, and we will continue our efforts to improve on our processes.

The audit acknowledges that there is a pressing need to deal with congestion and improve our transportation system. Metrolinx appreciates the Auditor General's observation that creating Metrolinx was a reasonable strategy toward implementing an effective, integrated and sustainable transportation network.

The Greater Toronto and Hamilton Area (GTHA) is Canada's largest and fastest-growing urban region. With the GTHA generating 25% of Canada's GDP, the productivity impacts of congestion are significant. Today, GTHA commute times are among North America's longest. With population in the area growing by 100,000 people per year, the GTHA is at risk of seeing commute times continue to increase.

Metrolinx was created less than six years ago with a mandate to transform the way the region moves and a mission to champion and deliver solutions for the GTHA. Our Regional Transportation Plan ("The Big Move") is intended to lead integrated region-wide transit and transportation planning.

We are committed to bringing forward new solutions to boost economic growth and help people and businesses move more easily throughout the region. This transformation has begun through a number of projects, such as the Mississauga bus rapid transit/403 transitway, the Toronto–York Spadina subway extension, York VIVA rapidways, and Toronto light-rail transit projects, as well as improvements on GO Transit's Kitchener line and the construction of the Air Rail Link between Pearson International Airport and Union Station.

With nine transit systems in the GTHA, all with various payment methods, Presto introduced a new fare-payment system that gives riders the convenience of being able to travel within the GTHA seamlessly and conveniently. As a regional fare card serving many transit providers, Presto is a unique product and one of the world's most advanced fare-card systems (similar to London's Oyster card, The Netherlands' OV-chipkaart and the Chicago Card). Today, throughout the GTHA, Presto is deployed among eight transit agencies and on GO Transit systems. As of October 2012, more than 350,000 people were using the Presto card to travel throughout the multiple transit systems, and we have added an average of 22,000 customers per month over the last six months. When Presto is fully deployed on the TTC, its usage will grow to 2.5 million customers.

Detailed Audit Observations

The Greater Toronto and Hamilton Area (GTHA) is Ontario's most populous region, with over 6 million people—a total that is expected to grow to 8.6 million by 2031. Currently, regional transportation within the GTHA primarily is served by several major expressways and by 10 different public transit agencies, each with its own separate fare and infrastructure systems.

Symptoms such as congested roads and highways and public transit systems that are increasingly challenged to meet the needs of ever-growing population levels suggest that there is undoubtedly a pressing need within the GTHA to expand and improve the transportation system across the region, because the existing system may no longer be meeting the needs of the area's residents and businesses. Creating a co-ordinating agency like Metrolinx is a reasonable first step toward implementing an effective, integrated and sustainable transportation network within the GTHA. Our research indicated that other major urban centres around the world have used similar agencies to co-ordinate regional transportation planning.

There are a number of best practices that such agencies must follow to ensure the successful implementation of effective transportation within their jurisdiction. Some of the key principles contained in Metrolinx's Regional Transportation Plan (RTP) that guide the delivery of the individual projects within the plan and the delivery of the overall plan itself include:

- the individual projects should deliver transportation that is "seamless, coordinated, efficient, equitable and user-centred";
- the projects should be subject to a fair, clear and rigorous benefits case analysis process that considers financial, economic, environmental and social needs and impacts to ensure that the most optimal investment decisions are made;
- the project delivery process should ensure that risks are managed and that projects are delivered cost-effectively and on time;
- there should be sufficient consultation with key stakeholders; and
- there should be clear targets for achieving the RTP and regular reporting on progress in relation to these targets.

In reviewing several of the major priority transit projects contemplated within the RTP's first 15 years and in discussion with GTHA municipalities and transit agencies, we noted that Metrolinx has encountered challenges in successfully implementing some of these practices. The following are our specific observations.

AIR RAIL LINK

One of the more significant RTP projects currently under construction is the Air Rail Link (ARL). As Figure 2 shows, the completed ARL will provide rail service between Canada's two busiest transportation hubs: Union Station in downtown Toronto and Toronto Pearson International Airport. The ARL's target completion date is spring 2015, in time for the Pan/Parapan American Games to be held in Toronto in summer 2015.

The 25 km line will primarily use GO Transit's existing Georgetown South rail corridor. A new 3.3 km branch line ("spur") connecting the Georgetown South line with the airport is also being constructed. The ARL will have four stops: Union Station, the Bloor GO station, the Weston GO station, and Terminal 1 at the airport. Trains are expected to run every 15 minutes, seven days a week. A one-way trip is expected to take 25 minutes. Metrolinx expects the ARL to be a premium rail service: some of the features being considered include on-board refreshments, Wi-Fi, power outlets for laptops, screens with flight information, self-service airline check-in machines and luggage facilities. Metrolinx has not yet determined the fare range for this service. (Fares will probably vary according to how far along the ARL a rider travels—that is, one, two, or three stops—but the specific fares have not yet been determined.)

As Figure 3 shows, the ARL's estimated cost is about $456 million. A significant number of enhancements are also under way on the Georgetown South rail corridor, primarily to support an increase in the level of service for GO Transit on that line; but the ARL will also benefit from these enhancements. The estimated total cost of the enhancements on the Georgetown South rail corridor is about $1.5 billion.

Cost Recovery

At the time of our audit, the province had not specifically required that Metrolinx recover the cost of operating the ARL from revenues that the service generates. The Ministry of Transportation (Ministry) informed us that Metrolinx would set the ARL's fare in consultation with the province.

If operating the ARL on a break-even basis is indeed the objective, this may prove to be

Figure 2: Map of the Air Rail Link

Source of data: Metrolinx

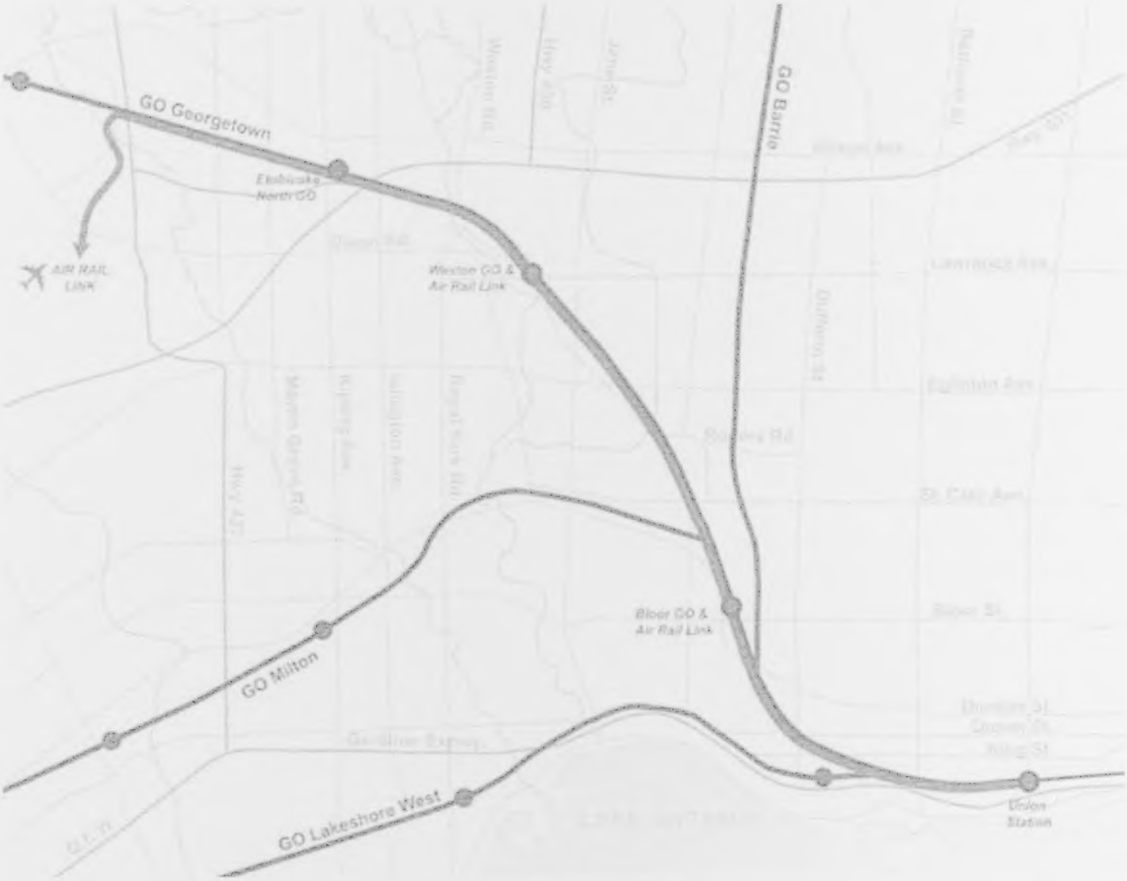

GO Georgetown
Etobicoke North GO
AIR RAIL LINK
Weston GO & Air Rail Link
GO Barrie
Weston Rd
Hwy 400
Jane St
Bathurst St
Wilson Ave
Hwy 401
Dixon Rd
Lawrence Ave
Dufferin St
Eglinton Ave
Rogers Rd
St. Clair Ave
Martin Grove Rd
Kipling Ave
Islington Ave
Royal York Rd
Hwy 427
Bloor GO & Air Rail Link
Bloor St
GO Milton
Dundas St
Queen St
King St
Gardiner Expwy
GO Lakeshore West
Q.E.W.
Union Station

Figure 3: Estimated Cost of the Air Rail Link ($ million)

Source of data: Metrolinx

Description	Estimated Cost
"Spur" and station in Terminal 1 at Pearson Airport	168
Trains	98
Other (stations, tracks and signals, etc.)	190
Total	**456**

a challenge for Metrolinx. In 2003, Transport Canada announced a private-sector group as the successful Public–Private Partnership (P3) proponent that would design, build and operate the ARL. However, the group was unable to secure financing for the venture because its lenders did not feel that they had sufficient protection from "no market" risk (that is, from a situation where, despite all reasonable efforts to attract riders, the service does not generate enough revenues to be a viable business). They perceived this project to be riskier than other infrastructure projects because there was no "pre-existing demonstrated revenue stream." The group proposed that the province assume the lenders' risk by purchasing ARL assets if the "no market" scenario arose. The province rejected this proposal, so the group walked away from the project. In 2010, the government decided that the province, through Metrolinx, would build and operate the ARL itself.

Metrolinx's preliminary estimate of the ARL's annual operating cost is approximately $30 million. However, according to Metrolinx, the cost could well be higher, because the service's exact nature has not been finalized, so some relevant costs may not have been identified yet. For example, the estimate does not include the annual access fee of approximately $5 million that GO Transit was going to charge the private-sector group for using the GO-owned Georgetown South rail corridor. As well, if the fare was to recover the capital cost of the project over time, we estimate this would approximate $20 million annually over a period of 20 years. If that amount is included as part of the ARL's operating cost, the total cost to be recovered from fares each year would rise to about $50 million.

Metrolinx's projection of annual ridership for the nine-month period of April 2015 to December 2015 is 1.35 million (based on the assumption that the one-way fare for riding the full distance would be $20), and its estimate for the full first year is 1.8 million riders. The agency expects that ridership will increase by more than 65% to nearly 3 million by year 3, capturing 10.3% of the surface access market—primarily travellers using taxis or those travelling by car who either park at the airport or are dropped off and/or picked up. If the aim was for the ARL to break even in its first year (a goal that has not yet been decided on), Metrolinx would have to charge about $28 for the full distance (based on current ridership projections and estimated annual operating costs, including capital amortization). Under the private-sector group's proposal, the fare for a full one-way ARL trip was expected to be $27. If ARL ridership increases as projected by Metrolinx, the break-even fares over the longer term would be lower. But the following factors lead us to question whether ridership will actually grow as currently projected:

- Although the projected capture rate of 10.3% is comparable to that of other North American airport rail services, these services differ significantly from the premium downtown-to-airport rail service that Metrolinx anticipates offering. Their one-way ticket prices range from only $1.60 to $13.00, compared to a ticket price for the ARL that may well cost $20 to $30. We believe that the ARL's high fare will negatively affect the projected ridership capture rate.
- The results of a market assessment of GTHA residents conducted in November 2011 by Metrolinx revealed the following:
  - More than 90% of GTHA residents leave from and return to their home when travelling, so the added cost and inconvenience of getting to and from one of the three ARL stations with their luggage would probably discourage some residents from using the ARL.
  - The ARL's likely price point may also be a concern. Although nearly 70% of potential riders currently using Union Station as an airport access or egress point indicated that they would probably use the ARL, nearly 75% of those respondents who were GTHA residents also indicated that they would not be willing to take the ARL at a cost of $22.50 or more. As well, 60% of visitors and 90% of airport employees would not use the ARL at a cost of $22.50 or more. As would be expected, the percentages who would not use the ARL increased as the proposed price increased.

Metrolinx advised us that it did take these factors into consideration but still concluded that its ridership projections at these premium fare levels would be achieved.

RECOMMENDATION 1

Metrolinx should work with the Ministry of Transportation to clearly define the business model under which the Air Rail Link (ARL) should operate to ensure that the ARL will be a viable and sustainable operation. Given the importance of having a reliable estimate of projected ridership at the various possible fare levels, Metrolinx should periodically update its ridership forecast.

METROLINX RESPONSE

The Air Rail Link (ARL) will provide direct, reliable express service connecting Canada's two busiest transportation hubs: Union Station and Pearson International Airport. It is a priority project of the Regional Transportation Plan ("The Big Move") and is scheduled to open in 2015.

Metrolinx agrees with the Auditor General on the importance of reliable ridership forecasts, and independent analysis has been obtained to create ridership projections.

As the ARL launch approaches, a number of significant decisions need to be made. Metrolinx will continue to use best-in-class ridership information to guide our internal decision-making and to inform our business model, and we will continue working with the Ministry of Transportation to finalize the business model.

As we would with any new service, Metrolinx will closely monitor the ARL over its first years of operation and make adjustments based on customer feedback we receive.

The "Spur" Line

As noted earlier, the ARL requires the construction of a new 3.3 km branch line, commonly referred to as the "spur," off of GO Transit's Georgetown South rail corridor connecting to a new passenger station in Pearson International Airport's Terminal 1. In July 2010, when Metrolinx became responsible for ARL development, the government directed it to evaluate options for the delivery of the "spur" line and any related station work, including possibly using the Public–Private Partnership (P3) model—which in Ontario is called the Alternative Financing and Procurement (AFP) model. Generally, AFPs are contractual agreements between the government and the private sector under which the private-sector businesses provide assets and deliver services, and the various partners share the responsibilities and business risks. A Crown Agency, Infrastructure Ontario (I/O), oversees the delivery of all AFP projects in the province.

Before deciding on the delivery model for a particular project, I/O assesses which delivery model will provide the most value for money (VFM). This VFM assessment compares the total project costs of two different delivery models (that is, AFP versus a traditional delivery method). Four basic categories of cost make up the total project costs under each delivery model: base project costs (for example, construction costs), financing costs, the monetary value of the risks that will be retained under each delivery model, and any ancillary costs (such as legal, project management or engineering advisory fees). Any positive difference between the AFP and the traditional delivery model represents the estimated monetary benefit from using the AFP.

On the basis of a positive VFM assessment, I/O decided to use the AFP model in the delivery of the "spur"; a $128.6 million contract was subsequently awarded to a private-sector consortium. With respect to the procurement of the AFP contractor, we found that the process was competitive and fair to all respondents.

In evaluating the VFM of procuring assets either in the traditional manner or by way of the AFP model, it is often the value of the risks retained under each delivery model that tends to tip the scale in favour of the AFP model. The VFM assessment concluded that using the AFP model for delivery of the "spur" would result in a net savings of about $20 million. While the total of the base project costs and ancillary costs under the AFP approach was estimated to be about $22 million higher, this was offset by an estimated $42 million in savings related to the transfer of risks under the AFP model. As Figure 4 shows, the two largest risks retained under the traditional delivery model are construction risk (the cost associated with construction delays) and design and tender risk (the cost incurred because of omissions in the original design and changes that are required after construction has started). These two risks account

Figure 4: Valuation of the Retained Risks

Source of data: Infrastructure Ontario

	Traditional Delivery[1]		AFP Delivery[2]	
Retained Risks	**($ 000)**	**(%)**	**($ 000)**	**(%)**
Construction	21,160	42	1,327	15
Design and tender	12,618	25	1,525	18
Policy/strategy	6,518	13	1,688	20
Site conditions/environmental	5,428	10	1,107	12
Project agreement	871	2	581	7
Permits and approvals	354	1	64	1
Other	3,722	7	2,310	27
Total	**50,671**	**100**	**8,602**	**100**

1. Under the traditional delivery model, the province bears all the risks.
2. Under the AFP delivery model, risks are shared between the province and the contractor.

for two-thirds of total risk retained under the traditional delivery model.

Of concern to us is the process used to assign values to the various risks seen as being retained under the two delivery models. Specifically:

- The values assigned to the risks seen as retained under both delivery models were derived based on the judgment of I/O staff, Metrolinx staff and a consulting firm that devised the probabilities and impacts associated with the various risks. While we acknowledge that I/O has significant experience in capital projects such as hospitals, courthouses and other buildings, we saw no evidence that the estimates of the risks of delivering the "spur" under traditional procurement were based on actual experience of similar, traditionally procured transportation projects. For instance, over the past eight years GO Transit has completed a number of large and complex rail and grade-separation projects. The actual experience from these could have been used to assess the reasonableness of the values assigned to the risks that are seen as being retained under the traditional delivery model, especially given the significant $42 million risk differential between the two procurement alternatives, which was the deciding factor in going with the AFP approach.
- Because Metrolinx would be locked in very early on the specifications of the project under the AFP model, the additional cost that could be incurred as planning and design progress because of subsequent changes identified and considered necessary could also have been considered in the allocation and valuation of the risk retained under the AFP delivery model.
- I/O's procedures allowed the consulting firm that devised the project's risk allocation matrix to later bid on a contract to provide engineering and technical advisory services to support the planning and procurement of the "spur" line under the AFP delivery model. The contract was subsequently awarded to this firm.

RECOMMENDATION 2

When assigning values to transferable risks in the evaluation of value for money between procuring assets by way of the traditional method or by way of the Alternative Financing and Procurement (AFP) model, actual experience from recent traditional infrastructure procurements and AFPs should be thoroughly assessed.

INFRASTRUCTURE ONTARIO RESPONSE

The process for developing the value-for-money analysis was robust and based on current best practices. An experienced transportation consulting firm created a standard transportation risk matrix based on the firm's analysis of industry data and on its own in-house experience. The matrix values were then further reviewed and revised by Metrolinx and Infrastructure Ontario in consultation with the external advisers. Given the design and construction risks and the scheduling risk for this project, the Alternative Financing and Procurement (AFP) model was determined to deliver value for money compared to traditional delivery.

Infrastructure Ontario ensured that strict controls were in place to maintain objectivity of the firm conducting the value-for-money analysis and the engineering advisory services. For future projects contemplated under the Regional Transportation Plan, Infrastructure Ontario and Metrolinx will continue to use risk workshops to fully assess the actual experience of transportation projects procured under traditional methods, including new developments in procuring large transportation projects both in and outside of Canada.

PRESTO FARE SYSTEM

Currently, there are 10 public transit agencies in the GTHA, each with its own fare structure and a separate system for collecting fares. As a result, for example, a person travelling from a local bus in one GTHA municipality to the GO Train and then to the City of Toronto transit system must pay three different fares. One of the RTP's key strategies is to "implement a region-wide integrated transit fare system by 2012 that allows users to pay a seamless, integrated fare for all transit systems across the region."

In 2002, the Ontario Ministry of Transportation, in conjunction with GO Transit and the GTHA municipalities, began researching the development of a regional fare card, now called Presto. Presto, which is now one of Metrolinx's priority transit projects, allows transit riders to load amounts onto a reloadable plastic card (the size of a credit card) and pay their fares by tapping the card on electronic card readers. Amounts ranging from $10 to $1,000 can be loaded onto the card online or in person at participating customer service outlets.

A number of guiding principles for Presto's development and implementation were identified in 2002, including the following:

- The fare system should, where possible, use off-the-shelf products whose components can be purchased from multiple sources.
- The fare system needs to have the ability to add new transit participants of any size without major modifications to its core operational structure.

Project Cost

In October 2006, the Ministry of Transportation signed a 10-year, $250-million contract with a vendor to design, develop and operate Presto for the GTHA. The $250 million is composed of about $150 million in capital development costs, $82 million in operating costs, and taxes of about $20 million. The province anticipated that all GTHA transit systems, including GO Transit, would use this card. To encourage this, the province has indicated that the transfer of gas-tax funding to municipalities would be contingent on their adopting and staying with Presto.

However, when the agreement was signed the Toronto Transit Commission (TTC), which has over 80% of the GTHA's transit ridership, had not agreed to implement Presto on its system. Anticipating that the TTC would eventually opt in, the agreement with the vendor stipulated that the original base system would be built with the capability to expand to meet the needs of all Ontario transit providers without the need for significant modifications to core systems. The agreement also stated that full rollout of the Presto base system was to be completed by October 2010. Although GO Transit started adopting Presto on its system in November 2009, followed by the GTHA municipalities in the 905 area code in May 2010, full rollout (meaning that Presto base was implemented on all intended transit systems, and the fare system was functioning as planned) did not occur until February 2012.

In 2007, the City of Ottawa approved the implementation of the fare card on its transit system based on an agreed functionality to be provided by Presto. In November 2009, the TTC also conditionally approved the adoption of the fare card subject to the satisfactory resolution of some key issues (such as the system meeting the TTC's business needs and being affordable from both a capital and an operating perspective). Rather than expanding the Presto base system to meet the requirements of Ottawa and Toronto, as had originally been planned, the Ministry of Transportation decided to develop a new system, Presto Next Generation (PNG).

The Presto base system, contrary to the guiding principles established for its development, works on a closed proprietary model: that is, the contractor provides and controls the central system and other infrastructure for the fare-card operation. Changes can be made only through change orders after direct negotiation with the contractor. The Ministry and Metrolinx believe that developing PNG on an open architecture framework, as had been originally intended in 2002, will allow for more procurement options should there be a need to add additional functionalities in the future. At the time of our audit, PNG was initially expected to be rolled out in Ottawa in July 2012, but the rollout was postponed to February 2013. Metrolinx was also negotiating with the TTC to become a fully participating PNG member in time for the 2015 Pan/Parapan American games.

As Figure 5 shows, PNG's anticipated cost includes $498 million specifically for the system's development and $152 million to be paid to the vendor for operating the system and running a call centre until 2016, for an anticipated total of $650 million. The total cost of developing Presto base and PNG could well reach $700 million. As of March 31, 2012, about $360 million of this amount had been spent on system development costs, including about $40 million in internal charges incurred by the Presto office at Metrolinx, which has a staff of about 60. Additionally, although one of the key reasons for the new PNG is to meet the TTC's needs, at the time of our audit the TTC had not yet formally signed on to using the fare card. The TTC indicated to us that one of its main reasons for not yet signing on was that Metrolinx and the TTC had not yet finalized the TTC's service-level requirements and how the service levels will be achieved through PNG.

Figure 5: Estimated Presto Project Costs ($ million)

Source of data: Metrolinx

	Capital			Operating		
	Presto Base	**PNG**	**Total**	**Presto Base**	**PNG**	**Total**
Original contract (2006)	149.0	–	149.0	82.5	–	82.5
Nine separate requests to Metrolinx Board (August 2009–February 2012)	54.0	154.0	208.0	19.0	–	19.0
Additional request (April 2012)*	–	344.0	344.0	–	152.0	152.0
Total	**203.0**	**498.0**	**701.0**	**101.5**	**152.0**	**253.5**

* At the time of our audit, the Board had approved only $48.5 million of this additional amount and had asked Metrolinx management to carry out further due diligence on whether value for money is being received with respect to this expenditure.

RECOMMENDATION 3

Metrolinx should ensure that it formally considers the risks of continuing with the development of Presto Next Generation (PNG), given that the specific business requirements of the Toronto Transit Commission (TTC) for using PNG on its transit system and the costs for which the TTC would be responsible have not yet been formally agreed to.

METROLINX RESPONSE

Metrolinx has been working with the TTC since 2009 to define the business requirements of Presto. The TTC approved the implementation of Presto on November 23, 2011, and authorized the execution of all necessary agreements. This was reaffirmed on May 1, 2012, and we anticipate completing a master agreement with the TTC in 2012. The discussions regarding the master agreement have included both the operating requirements and financial arrangements; thus, these discussions have informed the development of Presto Next Generation. As well, Presto has been installed at 14 of the TTC's highest-volume subway stations and it is used daily by more than 8,000 riders. It should be also noted that the TTC has estimated that when Presto is fully operational, costs for fare collection could be reduced by up to $10 million annually from current levels.

Fare Integration

As noted earlier, a key success factor of the RTP was to develop a seamless and integrated fare for all transit systems across the GTHA that would allow riders to cross regional and municipal boundaries using different transit systems by paying just one fare rather than having to pay an individual fare for every system travelled on. The Presto base system, apart from facilitating fare arrangements between GO Transit and bus systems in municipalities within the 905 area code, has not in itself facilitated the integration of fares across GTHA transit systems. Currently, it is being used only as an "e-purse" that allows users to tap the card to the Presto card reader and automatically be billed the individual fares of the participating GTHA transit systems.

GTHA municipalities and transit systems indicated to us that as long as transit funding remains a municipal responsibility, fare integration will be difficult to achieve, because GTHA municipalities are not willing to absorb the cost of the subsidies that an integrated fare system may entail. For example, the fare arrangement between GO Transit and transit systems in the 905 area code costs GO Transit approximately $7 million annually, because GO Transit riders pay a reduced local transit fare to encourage these riders to use local transit instead of cars to arrive at their respective GO stations, with GO Transit paying the difference to the respective municipalities.

Presto Usage

As Figure 6 shows, at the time of our audit, the Presto card was accepted within the GTHA as follows: on seven of the eight municipal transit systems within the 905 area code, as well as on GO Transit (both rail and bus) and at 14 of the 69 TTC subway stations (but not on any TTC buses or streetcars). As of March 31, 2012, despite the substantial investment in the Presto base system and despite Metrolinx being six years into a 10-year contract for the system's development and operation, Presto's overall usage within participating GTHA transit systems was only about 18%.

Overall Presto usage was even lower—only 6%—within the participating GTHA transit agencies in the 905 area code. Several of these agencies indicated to us that a good portion of their ridership (nearly a third in some regions and municipalities) are considered low-income and either cannot afford to load the minimum $10 currently required by the Presto card or do not have bank accounts or credit cards and therefore cannot load the cards

Figure 6: Presto Usage Rate for March 2012

Source of data: Metrolinx and GTHA transit systems

Transit Systems	In-service Date	System Ridership	Presto Ridership	Presto Ridership (%)
GO Transit System				
Rail	Aug. 8, 2011	4,169,337	1,788,037	43
Bus	Sept. 12, 2011	1,506,716	242,335	16
GO Transit System Subtotal		**5,676,053**	**2,030,372**	**36**
TTC (at select subway stations)	Jan. 1, 2011	–	252,025	–
905 Transit Systems				
Mississauga	Apr. 4, 2011	3,315,817	140,655	4
Brampton	Apr. 4, 2011	1,593,637	231,770	15
York*	Apr. 4, 2011	1,755,264	64,843	4
Hamilton	Apr. 4, 2011	1,969,218	67,258	3
Durham	Apr. 4, 2011	964,168	31,669	3
Burlington	May 10, 2010	204,729	35,179	17
Oakville	May 10, 2010	258,310	41,614	16
905 Transit Systems Subtotal		**10,061,143**	**612,988**	**6**
Overall Total		**15,737,196**	**2,895,385**	**18**

* Because of a transit strike and its effect on ridership for March 2012, we used April 2012 data for York Region.

online. The initial $6 charge for the card also acts as a disincentive for these riders to migrate to Presto. For these reasons, GTHA transit systems within the 905 area code may need to maintain some form of disposable fare media (defined as media that are good for only a short term—either a single trip or multiple trips over the course of a day—such as tickets, tokens or day passes). These agencies cited the following additional reasons why they cannot completely eliminate their existing fare systems and force their ridership to migrate to Presto:

- Not all Presto-related transactions can be done online. For instance, to load monthly passes or if a student or senior wants to register for a card, the rider must physically go to a Presto location. But many municipal transit systems have only one location where in-person Presto transactions can be carried out. GTHA municipalities and transit systems within the 905 area code indicated to us that point-of-sale terminals installed in such locations as convenience stores would provide riders with greater access, but given the current low demand and the nearly $5,000 cost of installing a single terminal, very few are being installed.
- One region contracts out routes used by about 30% of its ridership to the TTC, but the TTC currently does not accept the Presto card on its buses.
- GTHA municipalities within the 905 area code that have a significant population of university students and offer students a special transit pass for the university term under their own fare system cannot currently do so on Presto.

These transit agencies also raised concerns about the quality of the Presto equipment installed on their vehicles and the repair costs for what are deemed "out-of-warranty" damages. Because the equipment is proprietary, if "out-of-warranty" repairs are needed, municipal transit agencies can turn to only one approved supplier under the existing contract. The contract does not provide specific pricing for the different types of repairs. In our discussions, municipal transit agencies cited examples of quotes for repairs that they had received from the contractor that they felt were unreasonably high.

Lastly, the transit agencies indicated to us that the system currently lacks back-end support for reporting and financial reconciliation of transactions. To obtain ridership information, many transit agencies have had to design their own programs for extracting information from a data dump provided by Presto. The transit agencies also indicated that they have little assurance that the system is capturing all riders who use their respective systems.

RECOMMENDATION 4

To ensure that the Presto base system and the Presto Next Generation system meet the objective of facilitating a seamless, integrated fare for all transit systems across the GTHA, Metrolinx should:

- work with the provincial government and GTHA municipalities to resolve the issue of subsidizing fare integration so that progress can be made on implementing an integrated fare system; and
- work with GTHA municipalities and regions to resolve outstanding issues related to the operation of Presto that inhibit riders' use of the fare card within their respective transit systems.

METROLINX RESPONSE

The Presto system is a foundational step toward developing an integrated fare system across the GTHA. The system is currently being deployed across the GTHA and in Ottawa. A staged deployment provides the least amount of risk as the system is implemented.

As the Presto system grows, Metrolinx will continue to work with the province and with the municipalities involved to develop strategies for increasing customer usage as well as to enhance the level of integration, up to and including the development of a common fare structure.

For instance, Metrolinx is working closely with Brampton Transit to retire that municipality's current payment systems in 2013. In Durham, we are also working to convert student riders to Presto in 2013. Similar strategies are being developed for each municipality in the GTHA.

On GO Transit, Presto usage will increase further in 2013 with the retirement of the GO monthly pass.

Project Procurement

As noted earlier, in October 2006 the Ministry of Transportation signed a 10-year, $250 million contract with a vendor to design, develop and operate the Presto base system. This contract was procured through a competitive process and subjected to a fairness review that concluded that the process was conducted in a procedurally fair, open and transparent manner. However, with respect to the development of the PNG system, Metrolinx was unable to provide evidence supporting its 2009 decision to develop this system through change orders to the existing Presto contract rather than through a competitive tender. As noted in Figure 5, earlier, at the time of our audit, Metrolinx had Board approval to spend an additional $227 million ($208 million capital plus $19 million operating); of this amount, $154 million was for PNG. In April 2012, Metrolinx went to the Board for approval of an additional $496 million ($344 million capital plus $152 million operating) for PNG.

After deciding to develop PNG using change orders, Metrolinx hired Ontario's former Integrity Commissioner to review the appropriateness of this decision. In September 2011, Metrolinx also hired a consulting firm to assess this additional investment in PNG and to assess whether value for money (VFM) would be achieved. The commissioner's February 2012 letter concluded that there was no compelling reason to restart the procurement process on PNG if the results of the VFM review were positive. The VFM review compared the per capita cost of fare-card systems around the world with the per capita cost of the Presto base system and PNG after considering the capital portion of the $227 million in the first set of change orders and concluded a positive VFM on the basis that Presto's per capita cost ranked in the middle. However, if the capital portion of the additional $496 million expected to be incurred had been included in the analysis, Presto base and PNG combined would turn out to be one of the more expensive fare-card systems in the world.

In April 2012, citing concerns about the request for an additional $496 million in spending authority for PNG, the Board asked Metrolinx's management to carry out further due diligence on PNG. In response, Metrolinx asked the same consulting firm for a second VFM review of PNG. This second review concluded that, although reprocurement "may drive pricing benefits," it incurred a significant risk of not meeting the timelines for the development of a new fare card, because procuring, developing and implementing a new system would take more than 24 to 48 months. Furthermore, having a new vendor build the system would introduce significant other project and operational risks that could hinder the efficient delivery of the entire system.

We note with respect to these concerns about reprocurement that the existing plan for developing and implementing PNG, having begun in 2009, will take about four years anyway because rollout of the system in the City of Ottawa is not expected until February 2013. We also note that there may have been value in considering the possibility of alternative procurement options. In this regard, for example, the TTC had an agreement in principle with a company in 2011 to develop an open-fare payment system. Under the terms of the agreement, the TTC would not have had to pay any capital costs up front. Instead, the vendor was willing to take a percentage of the revenues collected by the open-fare system. In its proposal to the TTC, the vendor had also agreed to make its system compatible with the existing Presto base system. The TTC abandoned this option after the province confirmed that provincial gas-tax funding and provincial funding for the purchase of new streetcars and the rapid transit system on Eglinton Avenue would be contingent on the TTC signing on to Presto.

As noted earlier, at the time of our audit, Metrolinx was unable to provide evidence that it had explored alternative procurement options at the time the decision was made to develop PNG. We questioned whether tendering the new system's development would have, at the very least, informed Metrolinx of the range of options and what a reasonable cost would be for developing PNG.

RECOMMENDATION 5

To ensure that Metrolinx complies with the intent of the government's policy of open, competitive procurement, all value-for-money considerations and an appropriate business-case justification should be completed and approved by Metrolinx's Board and the Ministry of Transportation before any decision on the procurement of significant transportation projects is finalized, especially if retendering the projects is not considered to be a viable option.

METROLINX RESPONSE

A comprehensive review of Presto Next Generation (PNG) technology was undertaken by independent advisers, who confirmed that the development of PNG was fair and created value for money (VFM). The VFM analysis identified concerns with retendering the work, including increased project costs and risks associated with the introduction of new vendors, increased project timelines and the loss of efficiency. As we move forward, we are reducing the role of the contractor, increasing the amount of work to be procured in separate competitive processes by about $200 million. As the technology continues to advance, more functionality and conveniences will be added for Presto customers, including additional services and other payment methods.

Metrolinx complies with all provincial requirements for an open, competitive procurement process, and has ensured that VFM considerations as well as appropriate business-case justification are part of the decision-making process. However, Metrolinx does agree with the Auditor General's recommendation that VFM considerations and an appropriate business-case justification should be completed and approved before making any decision on a project's procurement strategy. Metrolinx has implemented this recommendation with the expansion of Presto to the TTC.

With respect to Metrolinx's $700 million investment in Presto, approximately $275 million is expected to be recovered from the TTC, OC Transpo and the GTHA transit agencies in the 905 area code for assets specifically used in the provision of service to their customers.

Change-order Management

The $250 million contract for the original Presto base system is a 10-year fixed-price contract to deliver an electronic fare-card system for GO Transit and the seven participating GTHA municipalities in the 905 area code. However, since the contract's execution in 2006, a total of 330 change requests, adding $146 million to total costs, have been made under the contract. Of these, 281 change orders totalling $45 million relate to fixes or enhancements to the Presto base system that were requested by either Metrolinx or the participating transit agencies, with the balance relating to PNG. For example, in one case, the contractor charged $7 million to make nine enhancements to the Presto base system and at the same time fix 40 defects that had been identified in the system's original development. It is reasonable for a contractor to charge for change orders that enhance or alter the system from its original agreed-upon design specifications, but the contractor should not be charging for change orders that correct identified defects in the system's original development. In the case of the above example, the documentation was not clear enough to determine whether the payment related to enhancements to the system or to the correction of defects, which should have been done at no cost.

GTHA transit systems in the 905 area code that we met with indicated that changes to the Presto base system often seemed too costly and that change requests were not always completed on what they felt was a reasonably timely basis. The consulting firm mentioned previously that was hired to assess PNG noted in its December 2011 report that Metrolinx's change-order process lacks detailed cost breakdowns and pricing methodologies and that no formal budget estimates had been prepared for requested changes that could be used to assess the reasonableness of the amount being billed for each change order.

RECOMMENDATION 6

In order to effectively manage the cost of change orders related to the Presto base and Presto Next Generation systems, Metrolinx should:

- implement a process that distinguishes between change orders that amend the systems from their original specifications in the contract and those that correct identified defects in the systems' original development, and allow the contractor to charge for only those change orders that pertain to requested changes or enhancements to the original design specifications; and
- prepare internal cost estimates for each change order to enable the reasonableness of the amount charged by the contractor to be knowledgeably assessed.

METROLINX RESPONSE

Metrolinx agrees with the Auditor General on the importance of effectively managing the cost of change orders.

A consulting firm recently completed a review of the change-order process. Although this process was found to be efficient and effective, opportunities for improvement were identified. Metrolinx has now implemented controls over the change-order process, including generating internal cost estimates before completing negotiations on change orders and increasing documentation of each change order's purpose and scope.

Metrolinx is in the process of implementing additional accountability measures, which will be independently reviewed to ensure that these additional measures have been implemented and to identify whether any further improvements are necessary.

With regard to the $7 million charges noted by the Auditor General, Metrolinx has reviewed these charges and has confirmed that they were related to system enhancements rather than to the correction of defects.

Other Presto Issues

We noted several additional issues in our review of the development of the Presto base and PNG systems:

- Ownership of certain key components of the Presto base and PNG systems is currently unclear. The contractor maintains that it owns the system and can therefore market it to other parties. Metrolinx has asked the contractor to pay $25 million for the right to market the Presto base and PNG systems anywhere in the world (including to non-government entities in Canada), while Metrolinx can market the systems only to government entities in Canada. If the ownership and marketing rights of the system are not resolved, Metrolinx risks losing key components of the Presto base and PNG systems at contract termination, which would render the rest of the systems inoperable. Metrolinx advised us in mid-October 2012 that it was finalizing the negotiation of a letter of intent to secure ownership in Canada of intellectual property relating to these systems.
- The contract for the Presto base system contains 22 measures designed to gauge the contractor's performance in such areas as system availability, customer management and the management of the Presto devices (for example, the card reader). In 2011, the contractor failed to meet the set standard in nearly a third of the measures. However, Metrolinx did not seek any of the remedies stipulated in the contract for these failures and indicated to us that it will just continue to monitor performance until system usage reaches maturity. The contract also contains reliability measures for the equipment used by the Presto base system, but neither the contractor nor Metrolinx tracks this information. Therefore, Metrolinx cannot determine whether the equipment is meeting the reliability measures, which is all the more important because some municipalities we talked to expressed concerns about equipment reliability.
- During the period May 1, 2007, to April 30, 2012, independent contractors were used in senior positions with signing authority to supervise other consultants. The amount paid to these contractors was $4.2 million. But the government's procurement directive specifies that "consultants must not perform functions normally assumed by management, including supervising and hiring staff and other consultants." At the time of our audit, Metrolinx was in the process of terminating these relationships.

RECOMMENDATION 7

To ensure that the Presto base and Presto Next Generation systems remain available for use after the end of the existing contract, Metrolinx needs to finalize its current negotiations with the contractor to ensure that it secures ownership of these two systems. If the contractor fails to meet the performance standards stipulated in the contract, Metrolinx should have a valid justification for not applying the available remedies and penalties set out in the contract.

METROLINX RESPONSE

Metrolinx is in advanced negotiations with the contractor to safeguard ownership rights of the intellectual property created and expects these negotiations to be successfully concluded in October 2012. The expected agreement provides for the use of the current and future system in perpetuity.

As the system has matured, Metrolinx has been engaged in an extensive internal review of contractor performance and has developed a plan that provides for a more rigorous monitoring of key service measures, as well as appropriate remedies and penalties for situations where these measures are not met.

UNION STATION REVITALIZATION

Union Station, federally designated as a National Historic Site and a Heritage Railway Station, is Canada's busiest rail transportation facility, serving more than 250,000 passengers daily who use the services of the TTC, GO Transit, Via Rail and Amtrak. In August 2000, GO Transit and the City of Toronto bought the facility from Toronto Terminals Railway Company. Specifically, GO Transit bought the three-mile rail corridor leading in to the station, the platforms and the train shed, and Toronto bought the heritage building, including the GO Transit concourse area.

Revitalizing Union Station is one of the priorities in the RTP's first 15 years: it consists of a series of projects. Two of the more significant projects include restoring the train shed and replacing switches in the Union Station Rail Corridor (USRC). We reviewed these two projects and made the following observations.

Train Shed Restoration

Under the federal *Heritage Railway Stations Protection Act*, Parks Canada must approve all rehabilitation work planned for Union Station, including its train shed (the structure that shelters the station's platforms and the tracks alongside them). For instance, between 2005 and 2010, Parks Canada approved the replacement of approximately 20% of the centre portion of the train shed roof with a glass atrium. Approval was also received to replace the existing roof with an eco-friendly green roof on either side of the atrium. Although the initial estimate for the cost of restoring the train shed—including design, administration and construction—was $215 million, when the bids for the work came in, the lowest bids totalled $242 million. The majority of the difference was in the construction work, for which the initial estimate had been $165 million, but the lowest bid was $196 million.

The project was initially scheduled to be completed in November 2014, but delays experienced during the design and construction phases could push completion to December 2016. We noted that the construction contract contained no incentives for on-time completion or liquidating damages in the case of delays. Metrolinx chose not to include such clauses because it felt that the contractor did not have full control of the site (that is, Union Station would be fully functioning during construction, and no more than two tracks or platforms would be taken out of service at any time).

In the construction contract for the restoration of the train shed, Metrolinx retained, among other risks, the risk associated with concealed or unknown conditions that may arise during construction. It was felt that if such risks were transferred to the contractor, either contractors would not bid on the work or the premium charged to cover unforeseen risks would be cost-prohibitive. Metrolinx included a $15 million contingency in the contract's original price (8% of its total value) for any unforeseen situations. Metrolinx then approved an increase in this contingency to $36 million (18% of the contract's total value) by not requiring the contractor to carry out work originally stipulated in the contract totalling $21 million and moving this amount to the contingency. As of May 2012, $30 million of this contingency had been allocated to the contractor, leaving approximately $6 million. In April 2011, Metrolinx had also received Board approval to increase the construction contract's price by an additional $30 million by way of change orders. As of August 2012, change orders totalling $18.1 million had been issued to the contractor. Most of this amount was requested by the contractor to cover any additional overheads caused by extending the project completion date by another two years. The cost of restoring the train shed could now reach $270 million—25% more than Metrolinx's initial estimate. We note that nothing in the current agreement prevents the contractor from coming to Metrolinx for even more funds over the remaining term of the contract.

Metrolinx informed us that as a hedge against unforeseen situations, construction contracts commonly provide for contingencies of 5% to 15% of the contract's original value. This contract's contingencies and the change orders totalled nearly $55 million, or 28% of the construction contract's original price—almost twice the high end of the norm. Significant price changes in contracts can occur because of poor planning, inadequate processes for estimating the initial cost projections, weak monitoring of the project or a combination of these problems. In 2011, the province's Internal Audit Division reviewed Metrolinx's budgeting and forecasting process and found that the capital budgeting and forecasting processes were not well established, and also that recent years' budget-to-actual results suggest that Metrolinx may need to re-evaluate how project costs and/or contingencies are determined.

Switch Replacement Project

Since June 2000, GO Transit (a division of Metrolinx) has had a single-sourced agreement with Toronto Terminals Railway Company (TTR)—which previously owned the Union Station Rail Corridor (USRC)—to conduct routine USRC maintenance and rail traffic control services for an annual fee. In June 2006, a new agreement with TTR for a further six years, at approximately $7 million annually, was entered into. Under this agreement, in 2006, GO Transit issued a purchase order totalling nearly $38 million to replace about 100 switches within the USRC over a six-year period. According to GO Transit, the new switches allow trains to run faster into and out of Union Station, thereby providing additional train capacity and more efficient train operation. As Figure 7 shows, beyond the initial 2006 purchase order issued for switch replacement, three additional purchase orders totalling over $50 million were also issued (in 2008, 2010 and 2011, respectively). Metrolinx advised us that the significant cost increases

Figure 7: Approved Purchase Orders for Switch Replacement Project ($ million)

Source of data: Metrolinx

PO #	Date	Description	Amount
1	June 9, 2006	Removal and installation of approximately 100 new switches	37.6
2	Nov. 5, 2008	Cost increases for changes in regulations and standards, staff training and material costs	14.0
3	July 20, 2010	Cost increases for delays due to testing and need for redesign and staff costs	15.0
4	Mar. 14, 2011	Cost increases associated with the more complicated switches to be installed in 2011 and 2012	23.0
Total			**89.6**

resulted primarily from changes in regulations and safety standards, delays due to the switches being replaced because of their age, and the installation of the more complicated switches later in the project. As of May 2012, TTR had installed approximately 90 switches at a total cost to date of $76.1 million—more than twice the total amount of the original purchase order.

This project was managed by an external consulting firm under a contract that expired in 2010. Although the firm handed over information on the project to Metrolinx before ceasing to work on the project, the information was not well organized, making the search for details on this project very difficult and time-consuming. As a result, other than requests forwarded to Metrolinx's Board for funds to pay for cost increases related to the project, no other documentation was available to support the reasonableness of such significant cost increases. TTR also works on other projects within the USRC for Metrolinx, and we noted that the contractor's invoices did not always clearly specify which project the work relates to, making monitoring of project costs very difficult.

In our 2007 report on GO Transit, we expressed concern over the fact that for work in the USRC, GO had not actively sought other qualified suppliers or considered the feasibility of developing in-house expertise to prevent becoming overly dependent on the USRC's previous owner. We continue to have this concern.

RECOMMENDATION 8

To ensure that projects under the Regional Transportation Plan are delivered cost-effectively and on time, Metrolinx should ensure that contracts have firm ceiling prices, whenever possible. Contracts should then be monitored for adherence to the original ceiling price. For work in the Union Station Rail Corridor, Metrolinx should also consider seeking other qualified suppliers or obtaining in-house expertise.

METROLINX RESPONSE

Union Station is Canada's busiest passenger transportation hub. Balancing operations and the safety of the 250,000 passengers who rely on it daily while renovating a National Historic Site's structure provides unique challenges. For example, when renovating an 82-year-old, 8.6-acre train shed roof, it is difficult to anticipate all structural issues. Co-ordination with the federal government and with the City of Toronto, who are developing new concourses below the train shed, was also challenging.

When determining procurement options, Metrolinx assesses the potential for risk transfer, whether the contractor is in a better position to manage risks, and the potential cost premium for that risk transfer. Metrolinx balances these factors to determine the most appropriate procurement option under the circumstances, recognizing that no contract type is right for all projects. At the time of procuring the contract for the restoration of the train shed, GO Transit determined that the best way to address the significant risks associated with this project was to use a modified stipulated-price contract. GO Transit subsequently engaged an independent fairness officer to review the process and consider the change orders involved. The review confirmed that the process was fair.

With regard to the Union Station Rail Corridor, Metrolinx continues to take additional steps to reduce its future reliance on existing suppliers, including obtaining in-house expertise to carry out similar work in the future. Metrolinx will apply a different model upon the completion of the Union Station revitalization, which is expected in 2016.

Double slip switches are a complex section of rigid and movable railway tracks more than 50 metres long and weighing more than 55 tonnes. They are very rare in the railway industry, and the switches in use at Union Station today date back to the 1920s. The renewal program includes upgrading tracks and switches to increase their reliability and allow for faster train speeds, but replacing this type of switch while continuing to operate GO trains was a difficult process. With changed construction assumptions and the added complexity brought on by extensive signal-testing requirements, Metrolinx found that switch replacement was going to be more time-consuming and expensive than we had first estimated.

REGIONAL TRANSPORTATION PLAN

Although those GTHA municipalities and transit agencies we talked to questioned the priority given to some of the RTP's projects, they generally supported the plan as currently conceived. One transit agency indicated that the plan focuses only on new projects and that perhaps some consideration should have been given in the plan to maintaining existing transit assets.

Role of Metrolinx

As noted earlier, one of Metrolinx's key objectives is to provide leadership in the co-ordination, planning, financing and development of an integrated, multi-modal transportation network within the GTHA. In order to effectively carry out this mandate, Metrolinx's decisions regarding transportation and transit planning must be made on the basis of a credible business case supported by objective and sound data. As well, some of the municipal stakeholders we spoke to said that it is important for Metrolinx to remain objective and independent of any decisions of a political nature made by the governments of the municipalities within the GTHA and by the federal and provincial governments.

In the recent debate over the City of Toronto's transit projects within the RTP, Metrolinx could have been perceived as not being a strong enough advocate of what its own analysis suggested was the right course of action for these projects. Specifically, when the RTP was adopted, the City of Toronto's "Transit City" plan—a plan for developing public transportation in the city—included light-rail transit (LRT) projects on three major arteries within the city: Sheppard Avenue East, Finch Avenue West and Eglinton Avenue. These three projects were adopted into the RTP, and Metrolinx prepared benefits case analyses (BCAs) to evaluate the costs and benefits of all reasonable alternatives so that the best version of each project could be built, taking cost and service to riders into consideration. Metrolinx's analyses concluded that the most cost-effective strategy was a mix of light rail with traffic on two of the lines (Sheppard and Finch) and a fully grade-separated rail system on Eglinton Avenue. However, the Eglinton project was approved only as a partially grade-separated project, because there wasn't enough provincial funding for a fully grade-separated system.

In March 2011, soon after the election of a new mayor, the province and Metrolinx entered into a Memorandum of Understanding (MOU) with the new mayor to revise these projects within the RTP. The MOU called for a subway on Sheppard Avenue—a decision that would have resulted in sunk costs of $65 million—as well as bus rapid transit (BRT) on Finch Avenue and a fully grade-separated LRT system on Eglinton Avenue. However, Metrolinx's analysis concluded that, for Sheppard Avenue, the ridership projections did not warrant using the higher-cost subway technology along the entire corridor. Similarly, forecast ridership for Finch Avenue was found to be too large to be effectively served by BRT. But for Eglinton Avenue, the decision reflected in the MOU supported the BCA's conclusion that transit/auto conflicts along any at-grade sections would affect service reliability on the entire line, so that a fully grade-separated LRT system would serve the area best.

Before the MOU was signed, the Sheppard Avenue LRT was considered a top priority, and construction had already begun. But after the MOU was signed, the majority of the provincial funding would now be taken up by the fully grade-separated transit line on Eglinton Avenue, so the City of Toronto became responsible for funding the Sheppard Avenue and Finch Avenue lines. Because the City of Toronto did not have sufficient funds at the time to construct a subway on Sheppard Avenue, the City initially decided to cease work on the Sheppard Avenue line. The Sheppard Avenue project, previously considered a top priority, would now be delayed.

In February 2012, however, Toronto's City Council rejected the revised plans under the MOU for Sheppard Avenue, Finch Avenue and Eglinton Avenue and directed the City Manager to work with Metrolinx on developing these projects as previously planned—that is, before the MOU was signed. On April 25, 2012, Metrolinx formally accepted this decision, which will result in approximately $4 million in sunk costs.

Some GTHA municipalities and transit agencies that we talked to used the debate over the City of Toronto transit projects as an example to question Metrolinx's ability to objectively act as the GTHA's central transit planning authority to ensure that the most cost-effective and value-added transit infrastructure decisions are being undertaken.

RECOMMENDATION 9

Metrolinx should ensure that all projects contemplated under the Regional Transportation Plan are subjected to a rigorous cost/benefit analysis that considers financial, economic, environmental and social needs and impacts and that transit infrastructure investment decisions are made on the basis of that analysis.

METROLINX RESPONSE

Metrolinx has completed a cost/benefit analysis on all of the projects included in the first stage of the Regional Transportation Plan ("The Big Move"). This approach will also be applied when considering future projects.

Plan Funding

Without long-term sustainable funding, the RTP as currently contemplated cannot be implemented. The RTP's $50 billion cost estimate may well prove low, because it is a high-level estimate derived for the most part using average costs per kilometre to construct various transit technologies based on Canadian and international historical data. The record of cost overruns to date on the priority projects we examined also suggests that fully implementing the RTP will cost more than estimated.

When the RTP was adopted, the detailed planning and design work that would yield a more precise cost estimate had understandably not yet begun for the majority of the projects contemplated under the plan. Detailed planning and design for proposed transit projects can take at least two to four years before any construction can begin. Although planning and design work is necessary before decision makers can be advised on project costs and schedule, the costs of doing this necessary upfront work may not be fully realized if the project is subsequently shelved for a long time due to lack of funding.

Funding has been committed for more than half of the priority transit projects within the RTP's first 15 years. By June 1, 2013, Metrolinx must report back to the province on an investment strategy to fund the remaining projects within the RTP's first 15 years, as well as the projects contemplated in years 16 through 25 of the RTP. Some examples of revenue tools that Metrolinx is contemplating using to raise funds for implementing the balance of the RTP include an increase in sales and payroll taxes specifically for GTHA residents, land value capture for GTHA residents whose property value has increased or will increase when new transit is introduced, and a transit fare surcharge. To this end, Metrolinx informed us that one of the key issues it faces in formulating a funding strategy is identifying the beneficiaries within the region of the investment in public transit.

Some GTHA municipalities indicated to us that Metrolinx has not consulted with them on the options being considered. They felt that being consulted while the strategy is being formulated—specifically on options that will affect local residents and businesses (for example, payroll and sales taxes specific to GTHA residents and businesses that could reduce GTHA competitiveness and job creation)—would be beneficial in encouraging timely adoption of the investment strategy. Better co-ordination by the province and municipalities in formulating strategies for raising funds would also help avoid duplication. For instance, the City of Toronto's January 2012 report "Sheppard Subway Development and Financing Study" identified a number of revenue tools that may be available to the city to finance its proposed transit expansion. The options anticipated were similar to those contemplated by Metrolinx to fund the RTP. Metrolinx advised us that it expected to start the public consultation phase of developing the funding strategy in fall 2012.

Metrolinx has developed a project prioritization framework for ranking unfunded priority projects using such criteria as the project's contribution to quality of life, environmental health and economic prosperity. This framework was not used for already funded projects, because those projects were approved under previous funding agreements and subsequently adopted into the RTP.

Plan Progress Reporting

Apart from the timelines covering the first 15 years and years 16 through 25, Metrolinx has no other defined targets for the overall achievement of the RTP. Although there is an urgency to complete certain funded projects—such as the Air Rail Link and projects associated with the revitalization of Union Station—in time for the summer 2015 start of the Pan/Parapan American Games, the remaining projects have no clearly defined timelines for completion. As noted earlier, funding dictates the completion of these projects for the most part.

In our discussions with GTHA municipalities, some indicated that Metrolinx should more regularly update their respective councils on the RTP's overall status, including the status of initiatives contemplated under the RTP that are not yet funded. These updates would help municipalities to better prioritize local projects. For instance, one municipality indicated that the impact of the uncertainty of funding on the timing of local projects under the RTP was making it difficult for the municipality to co-ordinate certain of its public works infrastructure projects.

Metrolinx plans to release an update to the RTP in June 2013. This update will be an addendum to the current plan, and will reflect any new information that has come to light since the plan was adopted. However, no changes are expected to the RTP's current vision, goals and objectives, policies and actions.

RECOMMENDATION 10

To ensure that provincial, regional and municipal stakeholders are kept up to date on the funding requirements and progress of the Regional Transportation Plan (RTP), Metrolinx should:

- **regularly consult with GTHA municipalities and other key stakeholders as the funding strategies are being formulated, especially on options that affect local residents; and**
- **have clearly defined targets for the RTP's more significant projects and regularly report on costs and progress toward completion.**

METROLINX RESPONSE

Metrolinx agrees on the importance of regular input and consultation on the Regional Transportation Plan ("The Big Move"). Since the plan was launched, Metrolinx has been regularly engaging municipal officials and key stakeholders on the RTP and related initiatives. Recently, Metrolinx has increased its engagement with municipal officials (such as chief

accounting officers and treasurers) as well as transit managers.

We have also sought input from municipalities' chief planning officials through regular meetings as we move forward with our work on the investment strategy.

Metrolinx is committed to working with our partners and stakeholders and will continue to engage in regular dialogue with municipal and transit-agency representatives.

OTHER MATTER

Project Management Information System

In 2008, Metrolinx purchased a program management system to plan, record and monitor capital projects and report project information. The system downloads information from Metrolinx's procurement and financial systems and also relies on input from project managers for budget and actual information.

We noted that in order to effectively monitor projects, project managers often supplemented the information provided by the system with manual spreadsheets maintained outside the system. This approach was necessary because the system did not have adequate functionality in areas such as scheduling and forecasting. Specifically, the system has the following limitations:

- *Limited scheduling capability.* The system cannot support the scheduling of tasks on multiple projects, especially if the projects are on the same corridor. For example, we noted that the system was unable to provide sufficient support for the scheduling of interrelated tasks on multiple projects on the Georgetown South rail corridor. To compensate, project managers had to maintain spreadsheets and other scheduling tools outside the system to effectively manage their projects; and
- *Limited forecasting capability.* The system allows users to compare only the year-to-date budget to actual results. But to facilitate timelier project monitoring, users must be able to make such comparisons for shorter terms (that is, monthly or quarterly).

In addition, information on disbursements related to various projects is downloaded to the system from Metrolinx's financial system each night. These disbursements are supposed to match the commitments set up in the system for the respective projects. However, we noted that the system was not properly distributing all costs incurred to the appropriate commitment. This impacts the project managers' ability to reliably compare the projects' actual costs to their respective budgets.

RECOMMENDATION 11

Metrolinx should ensure that its project management information system provides the functionality needed to facilitate the effective monitoring of individual projects.

METROLINX RESPONSE

Metrolinx will continue to introduce project management tools and training to support its project managers in ensuring that projects are completed on time and on budget. For instance, some of the anticipated and implemented tools include:

- project and program dashboards to allow project managers and senior management to track project performance on key indicators;
- new functionality to be added to the existing project management information system to allow for monthly forecasting with associated dashboards and reports; and
- more scheduled training for user access and integration with additional project management systems, where there is value added, to have greater overall functionality in scheduling, cost control and risk management.

Chapter 3

Ministry of Community Safety and Correctional Services

Section 3.10

Ontario Provincial Police

Background

The Ontario Provincial Police (OPP) operates under the *Police Services Act* (Act), and primarily provides:

- front-line police services in areas of Ontario that do not have their own police force;
- patrols on provincial highways, waterways and trail systems;
- municipal policing services under contract where requested by municipalities;
- emergency and other support services to all communities in the province; and
- investigations into complex criminal cases and organized crime.

The OPP is one of the largest police forces in North America, with about 6,300 police officers and 2,300 civilian employees, as illustrated in Figure 1. It has 78 police stations, called detachments, located throughout the province, and the detachments operate an additional 87 satellite stations. Individual detachments report to one of five regional headquarters or to the Highway Safety Division, which in turn report to General Headquarters in Orillia. The OPP also operates five regional communications centres that take 911 emergency and public calls, and dispatch police.

The OPP provides municipal policing services to 322 municipalities on a cost-recovery basis as well as to 19 First Nation communities. It also provides support as requested to 53 municipal and nine Aboriginal police forces of varying sizes in Ontario. The Commissioner of the OPP reports to and is accountable to the Minister of Community Safety and Correctional Services.

OPP operating expenditures totalled $979 million in the 2011/12 fiscal year, as detailed in Figure 2, with staffing costs representing 87% of expenditures. Municipalities receiving OPP policing services reimbursed $362 million of that total. The OPP also spent $174 million for capital projects, such as new facilities for detachments, forensic identification units and regional headquarters.

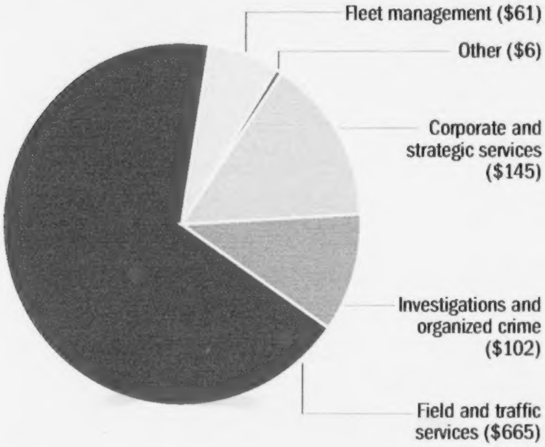
Figure 1: OPP Full-time Equivalent Staff Strength as of May 31, 2012

Source of data: Ontario Provincial Police

	Police Officers	Civilian Employees
Office of the Commissioner	10	35
Corporate Services	138	242
Field Operations	4,435	695
Investigations/Organized Crime	819	284
Traffic Safety and Operational Support	869	1,058
Total	**6,271**	**2,314**

Figure 2: OPP Expenditures, 2011/12 ($ million)

Source of data: Public Accounts



Audit Objective and Scope

Our audit objective was to assess whether the Ontario Provincial Police had systems and procedures in place to:

- ensure its provincial and municipal police services are delivered cost-effectively, and in compliance with key requirements of the *Police Services Act* and the OPP's own operational policies and procedures, known as Police Orders; and
- measure and report on its effectiveness in achieving its mandate and priorities.

Before beginning our fieldwork, we identified criteria we would use to address our audit objective. Senior management at the OPP reviewed these criteria and agreed to them.

The scope of our audit included interviews with OPP management, civilian staff and officers; and tests, reviews and analysis of relevant files, policies and procedures at the OPP's General Headquarters, three regional headquarters, one regional communications centre and 10 detachments. We also considered the recommendations we made in our *2005 Annual Report* and in earlier audits of the OPP. As most police work is carried out at local detachments, we focused our work on the OPP's regional operations. We did not review areas such as capital expenditures, investigations and organized crime bureaus, and the force's emergency preparedness activities.

We interviewed senior management of the Ministry of Community Safety and Correctional Services, staff and elected officials from nine municipalities for which the OPP provides policing services, and representatives from the Association of Municipalities of Ontario and the Association of Municipal Managers, Clerks and Treasurers of Ontario. We researched police operations in several other jurisdictions and visited the RCMP and the Sûreté du Québec (Quebec's provincial police force) to discuss their perspectives on the administration of policing services. We also engaged on an advisory basis the services of an independent expert with senior management experience in the policing sector.

Prior to our last audit in 2005, the OPP did not use the government's Community Safety and Correctional Services Audit Service Team; however, the OPP now utilizes the Ministry's internal auditors on a regular basis. We reviewed a number of recent internal audit reports and found them helpful in planning and conducting our audit, particularly their reviews of front-line policing supervision, overtime costs and municipal policing arrangements.

We also found helpful the reports prepared by the OPP's Quality Assurance Unit, which regularly inspects and reviews police practices at detachments.

Summary

Over the last two decades, crime rates across Canada have declined by more than 40%, and Ontario has been part of this trend. For instance, since our last audit of the OPP in 2004/05, crime rates reported by the OPP have decreased 10%, and serious motor vehicle accidents have also been trending down, with fatalities and injuries lower by 45% and 32% respectively. Over the last five years, the average number of calls for service the OPP has responded to or initiated has remained relatively stable.

By contrast, OPP expenditures net of recoveries from municipalities have increased by 27% over the same period. Most of the increase has resulted from the hiring of additional officers and staff compensation increases over the last six years. However, our research did indicate that many of the other larger police forces across Canada have had similar expenditure increases, notwithstanding the long-term trend of declining rates of crime and serious motor vehicle accidents.

In our last audit report in 2005, we made a number of recommendations on issues relating to staff deployment and controlling costs such as overtime. We nevertheless found that many of these issues continue to exist today. Among our major observations:

- The force has 2,800 officers assigned to front-line duties in detachments, but it uses a computer-based model developed in the 1980s to calculate how to deploy only about 1,250, or 45%, of these officers, and only to those detachments that provide policing services under contract to municipalities. It has been more than 10 years since the model was used to assess the deployment of some 1,550 other officers to detachments that provide other front-line policing services, such as patrolling provincial highways, or to municipalities that use the OPP to provide basic police service without contracts. Accordingly, officers face significantly different workloads depending on where they are assigned. We found that officers in some detachments handled an average of 54% to 137% more calls than officers in other detachments.
- In 2005, the OPP advised us that it was working with the RCMP on a new officer-deployment computer model. The OPP has since then claimed it uses this new model, but it does not. In March 2012, the OPP's existing model calculated that the OPP requires 500 more front-line officers overall, or 18% more, whereas the new model calculated that the OPP needs 50 fewer officers. We also found that the OPP incorrectly applied staffing requirements for officer safety in the existing model; when the error was corrected, the model calculated that only an additional 156 officers were needed. The OPP also does not analyze either its officers' availability to immediately respond to a call or the time it takes for officers to respond to a call, both key factors in determining the deployment of officers to detachments across Ontario.
- The force also lacks a model or method for ensuring that 44% of the total detachment workforce, comprising the 1,600 officers who do not perform front-line duties and 640 civilian staff, are efficiently and effectively deployed.
- Shift scheduling practices since our last audit have shown no improvement whatsoever in matching the demand for officers, especially during peak workload periods. OPP management had little control over shift scheduling at detachments, and almost all officers choose to work 12-hour shifts. Current shift arrangements result in overstaffing during slow early-morning hours compared to the busy afternoon hours. Similarly, Sundays are overstaffed by an estimated 20%. We estimated that improved shift scheduling could allow the OPP to save millions of dollars per year or, at the very least, make its officers more available to respond to calls for service.
- The OPP could assign more corporate-services duties and other non-policing work to lower-paid civilian staff to free up officers' time for policing duties and to save money. The OPP has recognized this and initiated a review of some staffing positions, which identified more than $6 million a year in potential savings.

- OPP officers are among the highest compensated police officers in Canada. Officers and civilians receive certain benefits to which other members of the Ontario public service, such as correctional officers, are not entitled, including significantly better pension benefits. Since 2003, OPP officers have been receiving an annual incentive payment worth up to $7,500 to make their salaries comparable to another large police force that had negotiated a retention incentive at that time.
- In our 2005 report, we noted that the OPP had lowered its overtime costs for 2004/05 by 10% to $33 million. However, no further progress has been made to decrease overtime hours, and overtime costs have increased by 60% to $53 million for 2011/12.
- The overall cost of OPP services for municipalities from 2007 to 2011 increased an average of 29% for those with contracts and 19% for those without, or up to three times the annual inflation rate. Municipal officials told us that the force offered no adequate explanations or accountability for these increases, which are due to changes in OPP billing and costing methods, and increases in officer compensation. On the other hand, all municipal officials with whom we spoke said they were very satisfied with the OPP services they received.
- The way the OPP charges municipalities for its services was complex and onerous for both the force and municipalities. In contrast, the RCMP and Sûreté du Québec billing processes for municipalities appeared much more straightforward.
- OPP processes were insufficient to ensure that detachments consistently met the requirements of the *Police Services Act* and the force's own policies. In most of the eight detachments we inspected, we noted instances where seized cash, weapons and drugs, as well as officers' weapons, were either improperly stored or accounted for, or were missing.
- While the OPP reports extensive information on its policing activities, crime and motor-vehicle accidents in its annual report, it does not report information on its own efficiency, such as per capita operating costs and response times.

Detailed Audit Observations

FUNDING LEVELS FOR POLICING

Over the past two decades, the crime rate across Canada has shown a steady decline. In total, criminal offences are down more than 40%. In Ontario, since our last audit in 2005, the number of offences is down about 20%. As well, there has been a decline in the number and seriousness of crimes reported to police across Canada and in Ontario. Statistics Canada's report on the Canadian crime severity index, which tracks changes in the relative seriousness of police-reported crime from year to year, indicates that the severity of crime has declined every year since 1991; it was 6% lower in 2011 than in the previous year and 26% lower than in 2001. Across Canada, both the rate and severity of violent crime fell 4% in 2011 from the previous year, and it was the fifth consecutive annual decline in severity of violent crime. In Ontario, the violent crime severity index fell 5% from 2010 to 2011, and the total crime severity index dropped 6%.

As well, motor vehicle fatalities and injuries have declined by 45% and 32% respectively since 2005.

A common detachment workload measure for policing is "calls for service." More than half of all the calls for service that police respond to are related to either Criminal Code offences or traffic incidents, and they come either from the general public or officers themselves. A call from the public—a "citizen-generated" call—might involve, for example, an assault or a missing person. A call initiated by an officer, typically while out on patrol, could involve the apprehension of someone driving under the influence of alcohol, although the count of officer-initiated calls does not include routine vehicle stops for traffic violations such as speeding.

Over the last five years, the average number of all calls for service to the OPP was relatively stable at approximately 716,000 a year, with about 463,000 of them initiated by police themselves and 253,000 being citizen-generated.

In total, OPP expenditures have increased 34% since our 2005 audit (27% after recoveries from municipalities), while the number of calls for service remained unchanged. Increased funding has been needed primarily to cover the cost of more officers and increases in staff compensation. In contrast, for the six years prior to our 2005 audit, total OPP expenditures increased 37% compared to total calls for service rising 31%.

Statistics Canada data indicates the overall increase in total OPP expenditures in recent years is consistent with the increase in total expenditures for all policing in Canada. The number of OPP officers rose by nearly 13% from 2004 to 2011, comparable to the national increase of 14% over the same period. The per capita cost of municipal and provincial policing in Canada for 2008 (the last year for which the information was published) was $268, up from $205 in 2003. Ontario had the highest such cost at $294, up from $225 in 2003. Since 2005, the OPP has added about 700 officers, 350 of whom were hired to fulfill new municipal policing requirements for which the cost was recovered. Most of the other 350 additional officers were approved in 2008, when the province provided funding for 200 additional positions for highway safety and investigative units, and the federal government provided temporary funding for 125 officers until March 31, 2013. Also, 500 more civilian employees were added, raising their number by 28% since 2005.

In summary, OPP expenditures have clearly increased at a much faster pace than inflation, even though crime rates and serious motor-vehicle accidents are in a trend of long-term decline. We do recognize in this regard, however, that expenditures at other large police forces in Canada have increased by similar percentages. And while the number of criminal offences reported by the OPP from 2005 to 2011 declined by 10%, the clearance rate (where charges are laid, or the case is closed with no charges) improved by 19%. This clearance rate compares favourably to that of other Canadian and Ontario police forces.

We are not aware of any recent independent studies or assessments that analyze the long-term trend of OPP funding and staffing increases in the face of stable or declining demands for police services. However, we understand that the OPP has been asked to reduce its expenditures in 2012 to help address the province's budget deficit.

RECOMMENDATION 1

To support future decisions on funding for the Ontario Provincial Police, given the long-term trend of decreasing crime rates and fewer serious motor-vehicle accidents in Ontario and across Canada, the OPP, in conjunction with the Ministry of Community Safety and Correctional Services, should formally assess the correlation of its funding and staffing levels with the actual demand for policing services, based on such factors as calls for service, motor vehicle fatalities and injuries, number of reported offences, clearance rates for crimes and crime severity levels.

OPP RESPONSE

We agree with the Auditor General that it is important to formally assess the correlation of our funding and staffing levels with the actual demand for policing services. Crime rates are not always an accurate barometer of the need for police resources, given that proactive work and the implementation of prevention programs often lead to the reduction of crime. In addition, trends can quickly change. The total number of deaths on OPP-patrolled roads as of the end of September 2012 was 215, compared to 201 at the same time last year.

The OPP is currently in the process of updating the Deployment Model to complete an assessment of staffing requirements for front-line services. The model includes calls for service for most criminal offences and all motor-vehicle collisions, as well as other parameters used to determine front-line policing staffing levels.

As the province's police service, the OPP also provides a wide variety of services not identified in the Deployment Model. For example, the level of provincial highway staffing cannot be determined solely on the basis of motor-vehicle collision rates; factors such as kilometres of highways, traffic volumes and patrol standards must also be taken into account. Investigations into major crimes and organized criminal activity are also influenced by a number of factors, including the growing complexity of crimes; sophisticated and time-consuming investigative techniques; and court and case law requirements. Further, assistance to municipal police agencies is covered under Section 9 of the *Police Services Act*. Operational support and many specialized services (such as tactical and emergency response, major case management, and search and rescue) are staffed based on the need to have these resources available to the province in case of major incidents—their size cannot be determined solely on the number of occurrences.

The OPP will continue to review its operations to find efficiencies and will analyze data and information to assess whether savings are available or funding can be reallocated across programs. Through the Future of Policing Advisory Committee and other partnerships, the OPP will review statistics to ensure that the causal factors of crime rates and other trends are understood and that decisions are made based on sound information.

MANAGING COSTS

Detachment Staffing Levels

The OPP has approximately 4,500 of its 6,300 officers and 640 of its 2,300 civilian staff working in 78 community-based detachments. The rest of its staff work primarily at the OPP's regional headquarters, communications centres, and at General Headquarters in Orillia. Individual detachments can have up to three distinct policing responsibilities: municipal policing for municipalities that have a contract with the OPP, basic municipal policing for non-contract municipalities, and patrol of provincial highways and waterways.

As we noted in our 2005 audit, the OPP still does not have a consistent method for deploying officers to detachments. The computer-based model that the OPP developed in the 1980s—called the Deployment Model—is programmed to calculate the number of officers required for front-line duties in detachments. The Deployment Model takes into account six key parameters:

- detachment-area characteristics;
- number and type of citizen-generated calls for service;
- percentage of time an officer is available to respond to a call for service;
- patrol standards;
- total hours that officers are available for front-line policing; and
- minimum staffing levels for officer safety.

While the OPP uses the Deployment Model to calculate the number of front-line officers required in detachments that serve municipalities with contracts (currently about 1,250 officers), it has been more than 10 years since the model was used to assess the number of front-line officers assigned to other provincial duties or to municipalities without contracts (currently about 1,550 officers). The lack of a consistent method for deploying officers to detachments has contributed to significant variances in the workloads of officers depending on the detachment to which they are posted. Front-line officers in some detachments handle an average of more than twice as many calls for service annually as officers in other detachments in the same region, as indicated in Figure 3.

We reviewed the information used by the OPP for the parameters of the Deployment Model and identified the following regarding its accuracy:

- In early 2012, the OPP adjusted the model to use more current actual workload information for officer availability and patrol standards. For instance, information for total hours that officers are available for front-line policing had not been updated since 1998. The annual average available hours per officer has declined in recent years by 120 hours, from 1,467 to 1,347, due primarily to additional sick time off (22 more hours), administrative requirements (53 more hours) and training (34 more hours). As a result, the model will in future calculate a need for more front-line officers at detachments. Similarly, the new traffic volumes, which were last updated in the 1990s, will require more officers to meet the patrol standards.
- We also determined that the parameter designed to ensure officer safety was incorrectly applied. The OPP's policy requires that officers work in pairs for the eight hours between 10 p.m. and 6 a.m. when practical. However, the model used a 12-hour period for pairing. Our request for the OPP to re-run the model based on the policy requirement resulted in a calculation that the OPP required only 156 more officers province-wide, or 344 fewer than the 500 originally calculated, as discussed below. However, our interviews indicated that, in practice, very few officers in detachments actually work in pairs as per the policy. As a result, the model has been calculating for some time that more officers are necessary than actually are required for serving municipalities with contracts.
- Under the model, there is supposed to be an officer available to immediately respond to any citizen-generated call for service 92% of the time. However, the OPP does not track its success in meeting this target, or whether the standard is even reasonable and appropriate, because it monitors neither officers' availability to respond to calls nor the average time it takes to respond to a call.

Figure 3: Range in Annual Average Calls for Service Per Officer Within Regions (by Detachments), 2011

Source of data: Ontario Provincial Police

	Average Calls/Officer		Difference
Region	**Lowest**	**Highest**	**(%)**
Central	225	348	54
East	182	335	84
North East	122	282	131
North West	127	301	137
West	195	336	72

In our 2005 audit, we noted that the OPP was working on a new joint OPP–RCMP staffing model—called the Policing Resource Model (PRM)—to replace the Deployment Model. The PRM uses information that is similar to but more detailed than the information used by the Deployment Model to determine how many officers a detachment should have for front-line duties. When we did our 2007 follow-up report, OPP officials told us they had completed testing of the PRM for six detachments and that further testing for another 25 detachments was scheduled for the fall of 2007. The OPP told us that if testing was successful, the PRM would be implemented across the province.

However, we found during our current audit that the OPP does not use the PRM for determining the number of front-line officers required; instead it continues to use the older Deployment Model. Despite this, the OPP said in its 2008 business plan to the Ministry of Community Safety and Correctional Services (Ministry) that it was using the PRM, and in 2012 the Ministry informed Treasury Board that, based on the PRM, the OPP had a shortfall of officers to support front-line service delivery. The OPP even received an international policing award in 2009 for its implementation of the PRM.

We noted that the RCMP is currently using the PRM and has been doing so for more than five years.

In March 2012, the OPP conducted an analysis of its front-line officer requirements at all detachments using both models. The Deployment Model calculated that the OPP required 500 more officers, whereas the PRM calculated that it actually needed 50 fewer officers. In addition, both models identified that detachments required anywhere from 30% fewer to over 100% more officers, although the results varied widely between the models. For example, at a detachment with 59 officers, the PRM calculated that 28% fewer officers were needed while the Deployment Model calculated 105% more officers were required. We talked to a number of regional and detachment senior staff, including staff in the 59-member detachment above, and they indicated to us that, from an operational perspective, they had no serious concerns with their current officer staffing levels.

Both staffing models calculate the number of front-line officers needed at detachments, but the OPP has not established a staffing template for the other 44% of staff who also work in detachments, including 1,600 officers who do not perform front-line duties and 640 civilian staff. These other officers work in administrative and other policing duties, including courts, community relations and crime investigations. We could find no basis for determining the number of these other officers—for example, no detachment-workload indicators were being used. As well, we were told that the number of officers and civilians working at detachments was generally based on historical levels, and the numbers have been relatively stable over the last five years.

At the time of our audit, the OPP was engaged in a project to develop templates for detachment staffing and to identify inconsistencies and inequities in current detachment staffing levels.

RECOMMENDATION 2

To help ensure that the number of front-line officers at each detachment is based primarily on need and that officers are cost-effectively deployed, the Ontario Provincial Police should reassess its two computer-based models to determine which one provides the best estimate of requirements based on up-to-date and accurate operational and workload standards, and, once validated, use its staffing models to deploy and reassign officers. The OPP should also establish formal staffing methodologies for the other 44% of detachment staff not covered by its deployment model.

OPP RESPONSE

The OPP has conducted extensive analysis comparing the Policing Resource Model (PRM) and the Deployment Model, and determined that the Deployment Model is the most suitable model for identifying municipal and provincial staffing requirements at detachments. The OPP is updating the Deployment Model parameters and expects to complete this project in late 2013. This will make it possible to compare staffing results from the model with the actual staffing levels at each detachment. Given the diverse nature of detachments, local input and analysis of operations must also be conducted and taken into account to determine the approved staffing requirements.

The OPP agrees with the Auditor General that formal staffing methodologies are necessary for the detachment staff not covered by the Deployment Model, such as specialists, administration and supervisory positions. The OPP has been working on a set of consistent methods for staffing the various types of non-front-line staff at detachments. The detachment structure review has led to the creation of a model for ideal staffing of non-front-line staff, which the OPP will implement as part of its current review of staffing levels in detachments.

Officer Shift Scheduling

As with staff deployment, a key to operating cost-effectively is having the right number of officers working at the right times. In 1998 and in 2005, we reported that officers were not scheduled in a way that corresponded to peak workload periods, and this issue remains. We saw no evidence of any changes to make more efficient use of staff time in order to reduce staffing costs or improve officer availability during peak times.

We learned in interviews that OPP management had little control over shift scheduling at detachments. Instead, local officers generally determined their own scheduling, and almost all chose to work 12-hour shifts, which offer more days off. Management in detachments whom we spoke to said they believed they did not have the authority to change officers' 12-hour shift schedules, and it was apparent that there were different interpretations and knowledge around OPP shift-scheduling policies and the collective agreement.

For the most part, the 12-hour shifts are scheduled without overlap, so that the same number of officers is working at all times during the day and all through the week. Alternatively, overlapping shifts can offer the benefit of having more officers working during the busiest periods of the week and day. Although overlapping shifts could pose a problem if, for example, there were not enough available patrol vehicles, the issue has not been formally examined to assess its workability.

At detachments, the total number of calls for service and citizen-generated calls for service from 3 a.m. to 7 a.m. is only about one-third of the number from 3 p.m. to 7 p.m., when demand is greatest, as shown in Figure 4. Because the scheduling of shifts is not based on workloads, detachments are overstaffed during slow times in the early morning hours compared to the busy afternoon hours. Front-line officers told us that after 3 a.m., they spend most of their time catching up on writing reports and court briefs, and other administrative duties. However, we also noted that the OPP has already reduced the burden of report-writing at many detachments by assigning more of those duties to civilian staff.

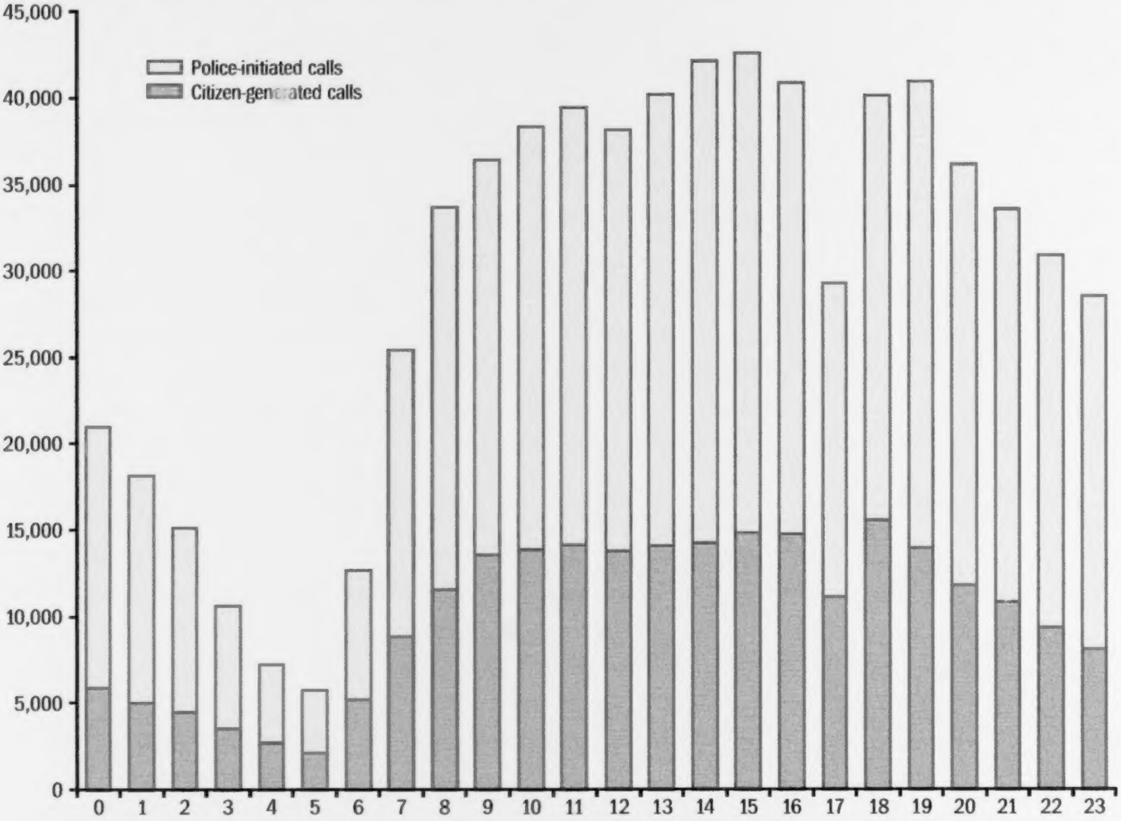
OPP senior management acknowledged that moving from 12-hour shifts to a mixture of shift lengths, using part-time officers to supplement regular officers and increasing shift overlaps during peak times would save money and improve the productivity of detachments. However, management also advised us that the current collective agreement might not contain the flexibility needed to make such changes. We estimate that adjusting the current 24-hour fixed scheduling from equally manned 12-hour shifts to a mixture of shifts and less staff from 3 a.m. to 7 a.m. would either result in savings in the range of $5–10 million a year or lead to improved service to the public and officer safety by more effectively matching staffing to workload.

In addition, the OPP operated 77 of its 78 detachments on a 24-hour basis in 2011. In 2008, only 68 of the detachments provided policing 24 hours a day; the other 10 were open 20 hours a day, with officers working 10-hour shifts. Even though the number of calls for service remained essentially unchanged from 2008, the OPP now operates virtually all its detachments on a 24-hour basis, with almost all of its officers working 12-hour shifts. For instance, citizen-generated calls for service averaged 1,237 per year over the past five years for its only detachment open for only 20 hours a day. Yet, we identified eight detachments that were open 24 hours a day and had either the same or even significantly fewer citizen-generated calls for service. In 2012, the OPP did change one detachment's hours so that it also operates only 20 hours per day.

The same issue exists with respect to weekday versus weekend shift scheduling. The schedules are made up so that the same number of officers is assigned to each day of the week. We calculated that on Sundays, there was about 20% overstaffing of officers, based on the average number of citizen-generated calls for service. By redeploying officers throughout the week based on the demand for service, the OPP could either reduce costs by

Figure 4: Total Number of Calls for Service by Hour of Day, 2011

Source of data: Ontario Provincial Police



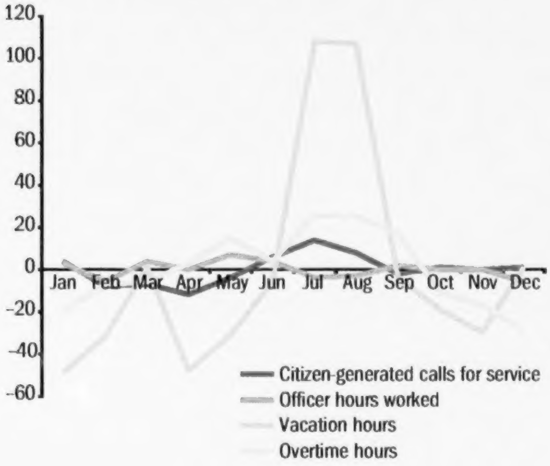
several million dollars or make more effective use of those officers.

Shift scheduling also becomes a significant issue in the summer months, when the demand for OPP service grows in many areas of Ontario with the influx of tourists and cottagers. Figure 5 shows that citizen-generated calls for service were 11% higher than the 12-month average during the summer months of July and August in 2011; however, it also shows that officers take significantly more vacation in these months than in any other month. In fact, total officer hours worked during the months of July and August were less than most other months that had fewer calls for service. For example, 8% more staff hours were worked in March than in July, yet there were 23% more citizen-generated calls for service in July. In addition, we estimated that the OPP paid $2 million in overtime to cover officers' summer vacations.

We raised this same concern in our 1990 and 1998 reports. In 1990, front-line officers were taking 40% of their collective vacation during the summer months, and in 2011, that figure was about 35%. Some police forces have separate summer and winter work schedules to make sure they have enough staff in the summer, but the OPP has yet to implement this practice. We noted that, while the OPP has a policy that requires detachment management—when they approve vacation time—to ensure a minimum number of officers be maintained during the summer months, the expected calls for service are not formally taken into consideration. As well, since the population in many areas serviced by the OPP swells in the summer months and the number of calls for service increases, consideration should be given to increasing staff availability rather than maintaining minimum staffing levels at detachments.

Figure 5: Monthly Percentage Change in Averages for Four Variables, 2011

Source of data: Ontario Provincial Police



In 2000, in response to our 1998 recommendations, the OPP introduced a shift-scheduling manual. However, by 2008, only a few detachment commanders had used the manual to change their shift schedules. As a result, in 2009, the OPP issued a new policy requiring that detachment and regional management annually review shift schedules. The policy also required that a committee be established to conduct an annual review of shift scheduling and issue a report to senior OPP management by August of every year. However, there have been no formal reviews of scheduling practices at any level, and the committee has not yet met.

RECOMMENDATION 3

In order to reduce operating costs and/or make the best use of available officers' time to more effectively respond to calls for service, the Ontario Provincial Police should:

- implement measures to give management greater control over officers' shift scheduling and vacation entitlements to better co-ordinate staffing with hourly, daily and monthly demand for policing services;
- provide detachment management with regular information that compares workload with staffing levels during all times of the year;
- reassess its current practice of having almost all detachments operate on a 24-hour basis to identify the savings potential of reducing operating hours at some detachments; and
- monitor adherence to the existing policy requirement that shift scheduling practices at detachments be formally reviewed annually to assess their efficiency and cost effectiveness.

OPP RESPONSE

The OPP recognizes that shift scheduling is an important operational issue with a formal protocol outlined through the collective agreement. Significant research on this has been undertaken by the OPP in the past year. The OPP considers operational issues such as vehicle requirements, supervision, officer health and morale, training, court appearances, administrative work and report-writing. Due to operational considerations as well as the rural nature of OPP detachments, more formal assessments of shift scheduling at each detachment may result in identifying savings that are less than the figures estimated by the Office of the Auditor General and lower than those that an urban police service might generate. In addition, the OPP is reviewing its policies regarding 24-hour detachments to assess the viability of this type of service in some locations.

The OPP will continue to seek and implement measures to better co-ordinate staffing with the demand for police services. Several tools and types of training have been developed and are available for detachment commanders on the OPP intranet. The OPP's goal is to develop additional tools, such as a software tool in 2013, for detachment commanders to better analyze the implications of existing and proposed schedules, consistent with the criteria that must be considered as part of the process.

When the comprehensive analytical tools are finalized, it is anticipated that detachment management and staff will work together to develop their own improved staffing schedules. Each region will conduct annual reviews to ensure optimum shift scheduling.

The OPP has made efforts to include shift scheduling in collective agreement negotiations. This was not successful in the last round of bargaining; however, the OPP continues to press for its inclusion. Shift scheduling changes using the existing manual will require a lengthy timeline and a detachment-by-detachment review and approval process. Shift scheduling is included in our proposed transformational plans and savings are expected by 2014/15.

Use of Civilians

The OPP could make better use of more civilians, who already make up 27% of its staff, to free up officers for policing duties and reduce operating costs. We noted this issue as far back as 1990.

In early 2012, the OPP said it determined that having civilian employees take over more court and community-service duties now performed by officers would lower staffing costs. As of 2012, there were 103 officers working in such community-service duties as crime prevention programs in schools and media briefings. A first-class officer earns a salary of $83,500 a year, while a civilian community officer earns $57,250. The overall savings if all these duties were transferred to civilians would be about $2.6 million a year. Similarly, there are about 110 officers and 23 civilians performing court duties. Transferring all court duties to civilians would save another $2.8 million annually.

In its recent cost-management study, the OPP identified positions in Corporate Services now filled by officers—in areas such as business, finance, human resources, training, records management, policy development, and equipment and fleet management—that could just as well be filled by civilians. The study said the OPP could save $760,000 by shifting some of these jobs to civilians.

We noted that the OPP has not done a full review to identify the jobs where officers could be replaced by qualified civilian staff, apart from the positions already mentioned. In many cases, officers are assigned to administrative positions while retaining their officer titles and salaries and benefits, and they continue to receive the same police training as front-line officers. The RCMP advised us that they introduced a cost-saving initiative in 2012 to more rigorously ensure officers are used only for policing activities, while civilians handle virtually all other non-policing and administrative duties.

RECOMMENDATION 4

To help ensure that non-policing duties and responsibilities are handled as cost-effectively as possible, the Ontario Provincial Police should:

- conduct a review of all staffing positions and responsibilities at its detachments and its regional headquarters and General Headquarters to determine where opportunities exist to fill positions currently held by officers with civilians at a lower cost;
- establish cost-saving targets and timelines for designating positions to either civilians or officers, depending on the duties of the position; and
- reassign officers who are currently in civilian positions back to front-line policing duties where possible.

OPP RESPONSE

The OPP is a participant in the Future of Policing Committee (FPAC) review created by the Ministry of Community Safety and Correctional Services and involving municipal and police stakeholders to redefine core duties. This extensive review will provide service options for consideration by all Ontario police agencies.

The OPP has conducted a preliminary analysis of potential savings opportunities with regard to civilianization and will complete the analysis with a more comprehensive review of the cost savings and the operational impacts. Due to provincial responsibilities and the number of small, geographically dispersed detachments, the OPP must ensure it has adequate police officers available for local emergencies and major provincial events such as Caledonia, G8/G20, major investigations and others.

The OPP acknowledges that with the financial constraints in today's economy, the cost savings of increased civilianization may be a component in the future of policing. The OPP is committed to continuing its review of staffing positions and will develop cost-savings targets and timelines for changes.

The OPP is limited by the parameters of the collective agreement in relation to the establishment of and changes to job descriptions and classifications. Some roles currently being performed by uniformed officers that could potentially be civilianized (e.g., Community Service Officers) do not have specific job descriptions associated with them because they are not distinct positions. In addition, there are many operational benefits of police performing Community Service Officer and Court Services Officer roles: they are able to respond to other calls for service, they have powers of arrest, and they generally have more influence over students and the public.

Differential Response Unit

The OPP uses what it calls a Differential Response Unit (DRU) in each of its five regions and its Highway Safety Division to handle low-priority calls for service over the phone. The goal of the program is to make the most efficient and cost-effective use of front-line officers' time. However, as we noted in our 1998 and 2005 audits, the DRU program is not yet consistently managed and executed.

The DRU function is supposed to work as follows: When any of the five regional communications centres receives a citizen-generated call for service, the detachment platoon sergeant decides whether an officer will be sent out or if the call can be handled over the telephone at a later time. If the sergeant decides that a front-line officer does not need to be dispatched, the call is forwarded to the region's DRU, which normally deals with the call over the phone. (Under OPP policy, however, if a caller or a municipality asks for an officer to respond in person, one is dispatched regardless of the nature of the call.)

The OPP reviewed DRU operations in 2007 and found that all regions did not provide the same kind of service and the units often lacked proper supervision, which could cause service delivery to suffer. The OPP noted these inconsistencies and deficiencies again in 2010, and said it would launch a project to ensure that the DRU program had a standardized structure to ensure consistent management and accountability. However, we found no evidence that this project was ever set up. OPP senior command requested another review of the DRU program, to start in fall 2011. We were informed that as of July 2012, a draft report was being finalized.

Our review of the number of calls handled by DRUs in 2011 noted significant differences in use of the program, as shown in Figure 6. One region, for example, used DRU to handle just 1% of its calls.

We believe that the DRU program, with proper management, could help the OPP reduce operating costs and make more efficient use of the time of its front-line officers. However, only one region has a centralized DRU; in the others, local detachments cover DRU functions by assigning the duties to officers being accommodated for pregnancy, injury, illness or any other cause making them unable to go out to respond to calls. It is likely more cost-effective and efficient for a region to centralize its DRU or for all communications centres to share one DRU for the entire province.

Figure 6: Percentage of Citizen-generated Calls for Service Handled by Differential Response Units, 2011

Source of data: Ontario Provincial Police

Region	% of Calls
Central	10
East	8
North East	1
North West	22
West	6
Highway Safety*	Unknown

* The Highway Safety Division operates a DRU, but does not maintain any statistics on its use.

In addition, in our *2005 Annual Report* we noted that one region's DRU officers were able to each handle an average of 950 calls for service annually, compared to about 200 calls for a front-line officer. In the current audit, the same region reported that its DRU officers each handled on average fewer than 600 calls per year, and consequently, if more calls were forwarded to DRU, they could likely be handled with minimal staffing impact.

RECOMMENDATION 5

To help achieve the significant cost and operational benefits of implementing a Differential Response Unit (DRU) program to free up front-line officers' time for more serious matters, the Ontario Provincial Police should:

- establish a strategic plan for fully implementing its DRU program throughout the province, with targets for measurable savings and benefits, and associated timelines; and
- given the lack of widespread success in implementing the DRU program over the last decade, consider centralizing the program to improve service levels, enhance consistency and help realize economies of scale and cost savings.

OPP RESPONSE

The OPP acknowledges that there are opportunities to enhance and improve the Differential Response Unit (DRU) program. A comprehensive report, reaffirming these opportunities, was completed and presented to senior management in September 2012.

All regions have established a DRU program to some extent, but implementation provincially has been inconsistent, as it relates to having an effective operating environment and staffing requirements, including short-term accommodated officers, and appropriate management and training. The current report concludes that, rather than centralization, the most decisive success factors are having clear direction from the regional commanders, oversight, accountability and well-defined reporting relationships among those assigned to perform the DRU function.

The OPP is committed to moving forward on this initiative and will invest the resources required to implement improvements, including setting performance targets and measuring against these targets.

OFFICER COMPENSATION

Salary and Benefits

According to a quarterly RCMP survey of salaries, benefits and pensions, the OPP ranked third among Canadian police forces at $66.45 an hour as of March 31, 2012. Only the Toronto Police Service ($70.90/hour) and the Vancouver police ($70.52/hour) were higher. The RCMP stood at $65.72 an hour and the Sûreté du Québec at $57.84.

OPP members received an average annual salary increase of 2.9% for 2005 to 2010, a 5% wage increase in 2011, and no increases for 2012 and 2013. However, following a recent provincial government announcement that OPP officers would receive the "highest paid first-class constable base rate" in the province, an officer's annual salary may well increase by at least 8.5% effective January 1, 2014. In addition, officers and civilian staff are entitled to a number of compensation benefits that few other members of the Ontario public service, such as correctional officers, receive. For instance:

- In 2003, after the Toronto Police Service began paying its officers a retention bonus to encourage them not to leave the force in significant numbers, the provincial government negotiated an incentive called the Provincial Responsibility Incentive with the officers' union—even though staff were not leaving the OPP for other employment in significant numbers—that resulted in OPP officers being paid at compensation levels comparable to Toronto officers. Commissioned officers (generally senior OPP management staff) who are not part of the union also received the incentive, which was officially established to compensate officers for being expected to respond across the province to emergencies, for long-term investigations and for large local events when extra resources are required. In 2012, the annual incentive was 3% of salary after eight years of service; 6% of salary after 16 years of service; and 9% of salary for 23 years or more, up to a maximum of $7,500. We noted that in 2002, before the incentive was provided, only 43 officers that year left the force, which then stood at 5,300. In 2011, only 25 officers left the force.
- OPP staff have better pension benefits, including a lower retirement age, than other Ontario government employees who are members of the same Public Service Pension Plan or other pension plans. This in itself is a retention incentive. In addition, as of January, 2012, the pensions of officers are calculated based on a 36-month average of their highest annual salary, rather than a 60-month average used for other provincial government employees. For civilian OPP staff, the pension is based on a 48-month average. Using fewer months to determine average salaries results in higher pension costs for the government.
- Each year, instead of taking five vacation days, staff may opt to receive an additional week's pay. From 2009 to 2011, 30% of staff received this payment, and it represented about $4 million annually.
- The OPP provides an allowance of $1,250 annually to each officer whose policing duties require plain clothes in addition to uniforms. In 2006, the OPP extended that allowance to all 200 commissioned officers, who work primarily in an office environment, where the OPP has a business-attire dress code. In 2010, the allowance was expanded to include dry cleaning expenses. The cost of providing commissioned officers a clothing allowance is $250,000 annually.

Overtime

In our *2005 Annual Report*, we noted that the OPP had achieved some success in lowering overtime expenditures, decreasing them by more than 10% to approximately $33 million in 2004/05. Since then, overtime hours have been kept to a consistent rate per officer, but the impact of compensation increases and increases in the number of officers has been a 60% increase in overtime costs to $53 million for 2011/12. Approximately 63% of overtime was incurred by officers in detachments, who on average received overtime payments of $7,500 each in the 2011/12 fiscal year. The increase in overtime occurred even though over the last five years, the average annual total calls for services handled by the OPP remained relatively stable, the number of criminal offences reported by the OPP declined and the OPP has added 700 officers since 2007.

In addition, we noted that in 2011, about $7 million of overtime was logged for administrative duties, such as training, report-writing and meetings, in apparent contradiction of OPP overtime policy.

RECOMMENDATION 6

To help inform future decisions on compensation levels for officers and as part of the preparation for future collective bargaining negotiations, the Ontario Provincial Police (OPP) should analyze the working conditions and compensation levels of its officers in comparison to other major police forces across Canada and in relation to current Ontario government compensation policies.

The OPP should also increase its oversight of overtime expenditures as well as identify and address the underlying reasons for the significant increase in overtime costs in recent years.

OPP RESPONSE

The OPP has committed in its 2012 transformational plan proposal to continue to work through the Police Bargaining Working Group to identify opportunities to bend the cost curve in police compensation. The OPP uses Statistics Canada and RCMP Police Sector Total Compensation reports and communicates with other policing agencies regarding compensation. The Employer (Ministry of Government Services), in consultation with OPP, has reviewed many aspects of OPP compensation and will continue to bring these forward to the negotiation table. The OPP will continue to assess compensation trends and will annually review its compensation compared to other policing agencies and the Ontario government.

The OPP agrees that overtime is an important cost to manage. After significant effort, overtime costs were brought to very low levels for the 2004/05 fiscal year, as noted by the Auditor General. Since that time, overtime has been significantly impacted by major events including protracted First Nations protests, several large-scale investigations and the G8/G20.

Although overtime has increased in dollar terms, a portion of the increase is directly attributable to compensation increases and the increase in officers for new municipal contracts. Administrative overtime is generally not permitted and in some cases may be a coding issue rather than administrative overtime. The OPP will review the current administrative overtime and will ensure it is reduced where appropriate or coded to the correct activity. The results will be monitored and reviewed for 2012/13 and onward.

Over the past few years the OPP implemented additional overtime oversight and processes including detailed monthly overtime reports, detailed detachment analysis and memos regarding overtime management. Overtime management is part of the OPP's current cost management strategies and savings targets are reflected in the Results-based Planning process, underlying the OPP's commitment to overtime management.

MUNICIPAL POLICING

Under the *Police Services Act* (Act), municipalities may establish police forces either on their own or with other municipalities, or they may purchase policing services from other municipalities or from the OPP under a five-year renewable contract with the Ministry. If municipalities make no arrangements, the OPP is required to provide the basic policing services it thinks are necessary and those municipalities reimburse the OPP for the cost of the policing provided. Municipalities that have contracts with the OPP have more control over the accountability and level of service that they get from the OPP, and in setting community priorities for their own policing.

During the 2011/12 fiscal year, the OPP serviced 149 municipalities with contracts, and 173 municipalities that pay for services without a contract. The OPP received $362 million in revenues for providing these services, with 75% of that coming from municipalities with contracts. Billings and collections for both contract and non-contract municipalities are handled by the Shared Services Bureau of the Ministry of Government Services using information provided by the OPP. In addition, the provincial government assists small and rural municipalities with their policing costs. In 2011, municipalities policed by the OPP received $71.9 million from the Ministry of Finance under the Police Services Grant Program.

In addition, the OPP provides support to smaller and rural municipal police forces that may need assistance from time to time, and to help them meet policing standards for events such as emergency response.

Relations with Municipalities

A number of municipal officials told us that while their annual costs for OPP services have increased significantly, the OPP offered no adequate explanations or accountability for these increases, and showed no flexibility to limit them. The OPP and Ministry have acknowledged these concerns and, during our audit, were working on ways to better share information to improve the relationship with municipalities.

Municipalities are paying more for OPP services largely because of changes over the last several years to the OPP's billing and costing methods, as well as increases in officers' salaries. We calculated that for municipalities with contracts, the overall cost of the OPP's services increased 29% from 2007 to 2011, an average of about 7% annually—or more than three times the rate of inflation. For municipalities without contracts, the overall increases were 19% over the same period, or an average of about 4% annually. Over the same period, individual municipalities experienced a range of changes in costs for OPP service, from a decrease of 60% to an increase of 135%. Factors besides internal OPP cost increases that affect the chargeback include changes in the number of calls for service to a municipality.

Notwithstanding the concerns expressed about costs, all municipal officials we spoke with said they were very satisfied with the OPP services they received and with the communication provided by local detachment commanders on community issues. As well, all the municipalities acknowledged that using the OPP's services was generally less costly than maintaining their own municipal police forces. According to OPP estimates, municipalities with and without contracts save on average anywhere from 35% to 60% by using the OPP instead of having their own police forces, as shown in Figure 7.

OPP senior staff told us that some municipalities choose not to sign contracts for OPP services, while others with contracts decide to pay for services over and above the basic requirements. Consequently, municipalities can receive different levels of policing. As an example, two municipalities with similar numbers of calls for service had very different levels of service: One, a non-contract municipality, paid $9 million a year for a minimum level of police service; the other paid more than $15 million a year for a contract that provided for 30 staffing enhancements, including a dedicated traffic patrol and greater officer presence in the community. Several larger municipalities have chosen a basic level of service by not entering into contracts with the OPP, likely due to the lower costs of such arrangements. Interestingly, the OPP advised us that three municipalities that paid for enhanced OPP services were cited in 2010 by a national magazine as being in the top five safest communities in Canada.

The Ministry and OPP have been working to improve relationships with municipalities by providing more information on the costs of their services. In February 2012 , a project team of representatives from the OPP, the Ministry, municipalities and their associations, and police services boards was formed to improve communication and accountability about the OPP's costing policies and processes, and to identify opportunities for municipalities to contain or reduce policing costs. In March 2012, about 40 policing organizations and municipal stakeholders took part in a summit on the future of policing hosted by the Ministry. As well, the Ministry created the Future of Policing Advisory Committee with municipal involvement to oversee and make recommendations by 2015 for changes to policing standards.

Figure 7: Cost Comparison of Municipal Police Services, 2011

Source of data: Ontario Provincial Police

Provider of Police Services	# of Municipalities	Estimated per Capita Cost of Police Services ($)
Population 100,000 and over		
Municipal police force	17	282
OPP – with contract	0	–
OPP – no contract	0	–
Population 50,000–99,999		
Municipal police force	7	264
OPP – with contract	6	153
OPP – no contract	2	117
Population 15,000–49,999		
Municipal police force	14	284
OPP – with contract	21	150
OPP – no contract	4	131
Population 5,000–14,999		
Municipal police force	14	329
OPP – with contract	48	156
OPP – no contract	31	133
Population less than 5,000		
Municipal police force	1	371
OPP – with contract	74	238
OPP – no contract	136	142

Costing and Billing Methodology

The OPP sets the minimum number of officers and hours required to service a municipality, regardless of whether it has a contract in place. This determines the municipality's expected costs, including direct costs for officers' salaries plus an allocation for other support and operating costs, such as vehicles, training, communications, forensic identification units and facilities. Municipalities with contracts can also opt to enhance the service level beyond the minimum recommended by the OPP, and to pay extra for more officers. Municipalities are given a budget at the beginning of the year, billed monthly based on that budget, and receive a final invoice that reconciles the budget to actual expenses at year-end.

To determine the minimum number of officers a municipality requires, the OPP uses either its Deployment Model or a workload analysis tool. However, these different methods can produce different results. In 2011, internal auditors noted that the OPP had not established clear criteria for using one or the other method. We were told that a manual on the contract renewal and negotiation process was to be completed by late 2012, and shared with municipalities, to address the internal auditor's recommendation that the OPP ensure that the process of establishing municipal contracts is transparent and managed effectively.

As of our current audit, the agreements with municipalities did not clearly indicate whether the number of officers was the original minimum determined by the OPP or whether it was a higher number based on a municipal request. For example, contracts for one municipality showed that the number of officers increased from 65 in 2009 to 80 in 2013. However, there was no indication whether these additional officers were needed as a minimum to meet increasing workloads, or whether they had been requested as enhancements to the contract. Without sufficient contractual or other documentation, the OPP risks not being able to clearly demonstrate that it is providing policing services to municipalities consistently and cost-effectively.

The costing formula for the OPP's contracts is established by a regulation under the *Police Services Act* and approved by Treasury Board. Direct costs represent about 80% of the formula and are updated annually based on actual salaries and benefits paid to officers, including all increases negotiated as part of collective agreements. Other support and operating costs make up the rest of the formula and are based on provincial average costs calculated periodically and applied based on the number of officers assigned to the municipality. The cost per officer to municipalities for both direct and other support and operating costs increased from approximately $122,200 in 2007 to $144,000 in 2011, or 18%.

Other support and operating costs embedded in the formula were not updated annually, so the charges did not necessarily reflect current OPP costs. Beginning in 2012, all municipalities without contracts were billed using the 2010 costing formula, the most recent approved by Treasury Board. However, for municipalities with contracts, the OPP is currently billing based on 2003, 2008 and 2010 formulas, depending on when the five-year contract was last negotiated. This is because as the contracts expired and were renewed, the most current formula at the time was applied to the contract for the entire five-year renewal without provision for the OPP to update the formula. Other support and operating costs increased from about $18,000 per officer under the 2003 formula to $29,000 in the 2010 formula. As a result, municipalities could have experienced increases of up to 60% in these costs in the year that the contracts were renewed. As of March 31, 2012, the OPP was still billing 32 municipalities using the 2003 formula and four using the 2008. We noted that if all municipalities were updated to the current 2010 formula, the OPP would have recovered an additional $5.4 million of its other support and operating costs annually.

The OPP has received approval from Treasury Board to update and apply the formula on an annual basis beginning in 2012. Internal auditors also identified that costs in the formula are not consistently included, updated or validated, and that there is no clear documentation for the rationale for including or excluding a particular cost. Beginning in 2012 with the annual updates to the formula, the OPP was to have a formal process in place to review all the items used in the costing formula, and improve its documentation for determining which costs should be included. Better documentation should also help improve the OPP's ability to disclose its charging practices to municipalities.

In addition, we found that in 2011, municipalities covered by 49 of the 118 contracts in place received more hours of service than their guaranteed minimums, including three locations that have each been over-serviced by more than 10,000 hours annually since 2007. However, the OPP is unable to recover the additional costs of providing more services than required in the contracts. As well, municipalities covered by 21 contracts received fewer hours of service than the guaranteed minimum. OPP officials told us that these discrepancies could stem from officers not properly recording their time or because the use of their time had not been properly monitored by their supervising officer.

Annual Credit Reimbursement to Municipalities

OPP detachments operate on an integrated service model whereby one detachment may provide policing services to several municipalities—contract and non-contract—as well as perform provincial policing duties either within or outside of the detachment area.

Officers who work in detachments are not designated as specifically municipal or provincial. Whatever their duties on a particular day and whatever municipality they work at, officers record their activities and location in the OPP's Daily Activity Reporting (DAR) system. As part of the billing process, the OPP provides contract and non-contract municipalities with a Provincial Service Usage (PSU) credit to make up for the time officers in the detachment spend performing provincial policing duties or working outside of the detachment area rather than performing municipal duties. The OPP provided an average of $23 million per year over the last five years in total PSU credits to municipalities. These credits were in addition to the police services grants managed by the Ministry of Finance.

For municipalities with contracts, we asked why the OPP needed to provide PSU credits of about $15.6 million annually when its contracts and annual budgets with these municipalities are based on hours of service and municipalities are charged only for the time spent on municipal policing, thus making the credits unnecessary. (For municipalities without contracts, annual budgets are calculated in a different way that requires providing a PSU credit.) In addition, we noted that the PSU credit and billing method does not take into account whether the minimum required contract hours were exceeded by the OPP for municipalities with contracts. For instance, five municipalities with contracts were each over-serviced by more than 10,000 hours in 2011 and still received between 3% and 8% of their gross costs back in PSU credits at the end of year.

The OPP notes that municipalities rely on PSU credits to reduce their police services costs, and that any proposal to eliminate the credit would need Treasury Board approval, because it would place a greater financial burden on municipalities at the same time that the updated costing formula was being applied to include more of the OPP's true costs for providing services.

Other Provinces

The charging practices for the OPP's services are complex and onerous both on municipalities and on the OPP, and, as already noted, not well understood by municipalities. In contrast, our understanding of the RCMP and Sûreté du Québec costing processes suggests they appear much easier to administer. For example, the RCMP dedicated officers to its municipal contracts and charged municipalities 80% of the cost of those officers. As a result, the RCMP did not provide credits to municipalities for any police work they performed outside of the municipality, since co-operation between police forces is considered a normal practice. In Quebec, all municipalities with populations up to 50,000 have been required since 2001 to use the Sûreté du Québec for policing. Ten-year contracts are used, and regional municipalities are invoiced based on property values and population.

The OPP prepared a briefing note to the Minister of Community Safety and Correctional Services in 2004 proposing to implement a provincial per capita or per household methodology for invoicing municipalities, but no action was taken. The OPP advised us at the time of our audit that it was reconsidering a per capita costing methodology and expected to present a briefing note to the Ministry in late 2012.

Assisting Municipal Police Services

The OPP is sometimes called on to assist municipal police forces, but it has never charged municipalities for this, even though it has the authority to do so under the Act. In some cases, a formal support agreement with the OPP is required to allow the municipal police force to meet the adequacy standards under the Act for a municipality to have its own police force. The OPP has calculated that from 2007 to 2009, the average cost of providing assistance to other police services was $11.3 million per year. However, we were told that this calculation included costs that fall under the OPP's provincial responsibilities, such as complex cross-jurisdictional investigations, which may not be recoverable, and that the OPP's system does not track the strictly municipal assistance costs separately.

As part of its 2012/13 planning, the Ministry has recommended to the Treasury Board that it start charging municipalities for its assistance. However, the OPP noted that it was the smaller municipalities that most often required the most assistance with major incidents or investigations, and they might not be able to afford to pay for such help.

RECOMMENDATION 7

To promote better relations with, and consistent services to, municipalities, and fairer and more transparent billing processes, the Ontario Provincial Police, in conjunction with the Ministry of Community Safety and Correctional Services, the Ministry of Finance and municipalities, should:

- seek ways to simplify, and make more transparent, its cost-recovery methods and consider whether various grants and credits should be amalgamated into one all-encompassing costing formula;
- address the issues in its costing and billing methods that result in municipalities paying different rates and consider phasing in cost increases over time rather than when contracts are renewed; and
- consider establishing a policy that would require identifying all costs for providing services to support municipal police forces as well as the proportion to be recovered.

OPP RESPONSE

A comprehensive document explaining the cost-recovery formula was prepared in August 2012 in collaboration with the Association of Municipalities of Ontario (AMO) and three municipal Chief Administrative Officers. This document was shared with every municipality that receives policing services from the OPP.

The OPP, Ministry of Community Safety and Correctional Services and Ministry of Finance have been collaborating on identifying and evaluating changes to the current complicated system of charges and grants. Proposals for a more equitable and simple billing process are being developed for consideration as part of the government's commitment to economically sustainable policing.

The recovery of costs for providing police service to municipalities that receive policing from the OPP is governed by the regulations under the *Police Services Act*. The OPP and Ministry report annually on costs in accordance with these regulations. In addition, the OPP brings forward options for additional cost categories for inclusion in the cost-recovery model if they are found to be directly attributable and material to the provision of services. AMO is aware of this practice/policy and Police Service Boards are also made aware through their biannual conferences.

OPP senior management is open to the concept of charging municipalities for some services that the OPP provides to municipal police forces, depending on a variety of factors, particularly where core police services are provided that would normally be routine business for a force.

USE OF VEHICLES

The OPP operates a fleet of about 3,800 vehicles—1,250 assigned to officers or civilian staff and the rest designated as patrol and pool-usage vehicles.

In 2008, to comply with Canada Revenue Agency regulations, the OPP notified officers and civilian staff that they would incur a taxable benefit when a vehicle assigned to them was used for personal reasons, such as routine commuting from home to work. In March 2009, the OPP approved a list of job descriptions and positions that were deemed exempt from a taxable benefit.

The OPP calculates the amount of taxable benefit to be reported on employee T4 income slips using its fleet bureau system, in which drivers are to record their personal mileage each month. Managers are responsible for reviewing the fleet bureau entries at the end of the year to ensure employees are properly reporting their mileage.

In late 2011, the OPP began a review to see if it could operate more efficiently by cutting down on the number of vehicles it assigned to officers and civilian staff and to examine whether taxable benefits were being properly administered. The review, completed in February 2012, found that poor record-keeping and problems with various processes resulted in the following:

- The whereabouts of 200 vehicles listed in the fleet management database were not readily known, since the vehicles were not listed as assigned to a region or investigations bureau.
- The list of vehicles assigned to staff could not be located and had to be recreated.
- The approved list of job descriptions and positions deemed exempt from a taxable benefit had not been reviewed and updated since it was released in March 2009. The review also identified 40 staff listed as exempt, but whose current positions did not qualify for the exemption.
- No personal mileage was reported by more than half of the 640 non-exempt staff who were assigned vehicles.

OPP staff informed us that, as of September 2012, they had accounted for all vehicles and issued amended T4 tax slips to the 40 employees whose positions did not qualify for an exemption.

RECOMMENDATION 8

To help adequately manage and control the use of vehicles, the Ontario Provincial Police should:

- improve its record-keeping and other processes for tracking inventory and assigning vehicles and capturing personal-use mileage; and
- ensure that its processes result in compliance with tax laws that require that any significant personal use of vehicles be reported as employee income.

OPP RESPONSE

The OPP agrees that the vehicle management process implemented in 2008/09 is not meeting current needs. A project has been established to review the current system and improve the management of vehicle taxable benefits. As well, all discrepancies between the fleet management database and the physical vehicles have now been resolved. New processes and policies will enable the OPP to effectively and efficiently manage vehicle assignments and ensure compliance with tax reporting requirements.

DETACHMENT INSPECTIONS

The *Police Services Act* stipulates that all police forces have quality assurance processes in place for the delivery of adequate and effective policing. The OPP's Quality Assurance Unit uses two processes for conducting audits for this purpose:

- It provides a Management Inspection Process (MIP) questionnaire to each detachment commander three times a year to assess whether the detachment is meeting the standards of the *Police Services Act* and the OPP's own policies.
- It conducts an on-site physical inspection of all detachments every two years (three years up until mid-2011) to verify the information provided in the MIP questionnaire; audit high-risk areas such as vaults that hold seized firearms, drugs and cash, and storage of the detachment's armaments; and examine the detachment's financial processes. The Unit sends its findings to the detachment commander and to management at the regional headquarters and at General Headquarters.

We expected that with these quality assurance processes in place, relatively few problems would be found at the detachments. However, inspection reports that we saw often noted that detachments were not complying in a number of areas and were told to correct deficiencies. Similarly, we did our own inspections at eight detachments and found a number of deficiencies, even though, just as with inspections by the Unit, the detachments were notified in advance of our inspections. The problems we found at the detachments included missing documentation, the use of improper signatures for authorizations, and poor controls over evidence and OPP weapons. For example:

- We noted several cases where physical counts of seized items in the vaults did not match the inventory listings in the computerized Records Management System (RMS). At one detachment, the staff could not provide an inventory listing from RMS for seized cash, drugs and firearms, and instead were using a manually prepared ledger that lacked the controls in the RMS system. We found three cash court-evidence exhibits in the vault that were not recorded in the ledger. At two other detachments, the physical count of seized firearms did not match the RMS inventory listing; in one of the cases, the vault contained five fewer seized firearms than the RMS listing. In several other detachments, the required records of items placed in and removed from the vaults were not always maintained or the items were improperly documented. It was also often not clear who had access to court evidence in the vaults.
- Several transfers of seized cash out of detachments were made without acknowledgment from the recipients. At one detachment, $7,500 was transferred to another OPP investigations bureau without proper signatures, and an exhibit of $1,700 in seized cash could not be located in the vault.
- We found cases in which seized items were secured in non-approved exhibit storage bags, where documentation for items was missing, and where only one signature was obtained for disposal of illicit drugs when two signatures are required. At one detachment a civilian staff member was assigned to manage the storage vault, which is contrary to policy.
- In some cases, officers' handguns were stored in locked firearms lockers that did not have the required locking cable or an approved lock. As well, we found off-duty officers' pepper spray canisters were not in handgun storage lockers as required by policy.

RECOMMENDATION 9

To ensure that detachments meet legislative and policy requirements for ensuring the security and integrity of seized cash, drugs and firearms, and detachment weapons, the Ontario Provincial Police should:

- reassess its quality assurance processes and increase senior management oversight of results to identify ways to make inspections more effective, including the periodic use of surprise inspections to promote sustainable compliance; and
- make detachment commanders more accountable for ensuring that actions have been taken to correct any deficiencies noted.

OPP RESPONSE

The OPP has made a strong commitment to ensuring that Police Orders and legislative requirements for policing standards are consistently followed. The OPP has investigated and resolved the discrepancies identified by the Auditor General's review. Through this review, the regions have identified accountability, training and policy clarity as areas that will improve seized asset management. The OPP will review the suggestions and implement new processes where required.

The OPP's Quality Assurance (QA) unit works in partnership with the regions to continually review and improve QA processes. Furthermore, substantial changes were made after the Auditor General's recommendations in 2005 and follow-up report in 2007.

Currently, the Deputy Commissioner of Field Operations and each Regional Commander receives a summary of all findings. The QA unit works with the detachments and the region to ensure all the issues are resolved in a timely fashion. If an issue is systemic or involves a risk that is not resolved, the QA unit will inform the Deputy Commissioner. In most cases, errors are related to documentation or process discrepancies.

The OPP will continue to reassess its quality assurance processes and ensure detachment commanders are accountable

EFFECTIVE POLICING

Community-oriented Policing

The *Police Services Act* requires the Minister of Community Safety and Correctional Services to develop and promote programs for community-oriented police services. As well, the Act establishes minimum police service standards and requires every chief of police to establish specific procedures and processes for community-oriented policing.

Historically, the OPP's community-oriented policing program involved regular meetings and communications between a committee of local citizens and members of the local detachment, during which the group would deal with local concerns about such issues as crime and traffic. The goal of the program has been to improve community safety and to involve the community in crime prevention.

In 2010, the Ontario Association of Chiefs of Police introduced a new community-policing model, which, according to the 2011 OPP business plan, was to be the foundation of the force's crime-prevention efforts. The business plan indicates that the OPP needed to make significant efforts through awareness sessions or other communications to tell OPP staff about the new model and train them accordingly, and to let communities know about it.

On our visits to eight detachments, we asked commanders, sergeants and constables whether, or what, they knew about the new community-policing model. Some detachment members knew about the new model and had even received some training or had attended awareness sessions; others were unaware of it. We also checked to see whether the community-policing committees still existed. In three jurisdictions, the committees still met, and in another three, the committees existed in some form, but had not met recently or were being redeveloped. In two detachments, there were no committees.

In our 1998 and 2005 audits, we reported that the community-oriented policing program needed to have better management oversight and a process to measure the effectiveness of the program against established criteria. We found during our current audit that these observations had not been addressed.

Results-Driven Policing

In 2006, the OPP introduced the Results-Driven Policing Accountability Framework for improving community safety through targeted crime and traffic-enforcement initiatives. Using the framework, detachments and regional headquarters collect and analyze statistics on rates of certain crimes and the numbers of road-related fatalities and injuries, and these statistics are discussed at quarterly meetings. If, for instance, the statistics show an increase in accidents on a certain highway, or a spike in certain types of crimes in a particular area, resources may be redirected to address the situation. Senior management at General Headquarters reviews the Results-Driven Policing reports quarterly and, if necessary, requests corrective action.

This sort of response strategy is useful in that it helps detachments focus their resources on improving tangible results, but the framework sets no targets against which detachments can measure their results and compare them with other detachments. Setting targets could allow the OPP to more effectively monitor and improve detachments' performance.

Response Times

Communication devices in OPP vehicles have a button that officers use specifically to report to the communications centre when they arrive at a scene, and officers are required to use this button. However, unlike municipal police services and the RCMP, the OPP does not analyze information about how much time elapses between when a call is received by one of its regional communications centres and when the officer arrives on the scene. Consequently, the OPP does not know whether average response times are reasonable, particularly for more serious or higher-priority calls. OPP officials told us it would be impractical to set a response-time standard for all calls because of significant geographic differences across the province. Nevertheless, keeping track of average response times on a detachment-by-detachment basis would allow the OPP to monitor officer response times to determine whether there were any detachments that may need more officers during certain periods.

The OPP compiled an informal sample of average response times from one regional communications centre in 2011 and found that an officer arrived on the scene within 10 minutes in 78% of calls for service and within 40 minutes for 95% of calls. No other analyses of response times have been carried out, whether of individual detachments, regions or the province as a whole.

RECOMMENDATION 10

To help ensure that police resources are focused on the Ontario Provincial Police's key objectives for effective policing, the Ontario Provincial Police should:

- improve the reporting to management on the community-oriented policing program and the results-driven policing program, and establish measures for assessing the effectiveness of these programs at individual detachments; and
- monitor average officer response times to calls for service for each detachment to ensure that adequate response times are achieved, particularly for higher-priority calls and during peak demand periods.

OPP RESPONSE

The OPP will develop a reporting mechanism for community-oriented policing. The OPP Crime Prevention Section has begun communicating with regions on how Ontario's Mobilization and Engagement Model of Community Policing can be used most successfully. The OPP has also established a tactical priority-setting process enabling officers in the OPP and other police agencies to focus on severe crime problems affecting communities.

The Results Driven Policing (RDP) program is an accountability process meant to identify and respond to issues quickly, rather than comparing benchmarks against other detachments and regions. Significant work is done at the detachment and regional levels regarding RDP statistics and in response to trends and emerging issues. Best practices are identified and shared. All of those results are in turn rolled-up and reviewed monthly at OPP Executive Council meetings at General Headquarters. The OPP is currently developing a better corporate analysis framework and reporting process on the benefits and the successes/failures of RDP regional initiatives. In the new year, a streamlined and more efficient RDP process will be implemented at the detachment, regional and provincial levels.

The OPP will investigate ways to efficiently monitor response times and has set a target to provide reports and analysis to senior management by the end of 2013.

INFORMATION SYSTEMS

Officers use two separate OPP systems on a daily basis to record their activities:

- The Records Management System (RMS) tracks occurrences, such as those resulting from calls for service, and permits analysis of case-related information, such as types of crime committed, location, people and property involved, witness statements and officers' notes. Officers are required to update RMS after each occurrence.
- The Daily Activity Reporting system (DAR) is, primarily, a time-accounting system that tracks an officer's regular and overtime work hours, the number and types of calls for service to which an officer responds, and how much time each officer spends on activities such as traffic patrol, Criminal Code investigations and administration. Officers are required to update DAR daily.

Officers, administrators and local and provincial governments rely on the RMS, which holds about 11 million records, to provide accurate data quickly. For example, front-line officers use the RMS to look up records of known violent offenders, vicious animals or high-risk residences, as well as to access a suspect's criminal background and other vital data. Organizationally, the OPP uses RMS to compile crime statistics for policing initiatives such as community-oriented and results-driven policing, and uses DAR for reporting publicly on the number of calls for service to which it responds.

The OPP has acknowledged concerns about the quality of data in RMS. Random internal audits have revealed a number of data-quality issues, including the fact that occurrence information is often incompletely or poorly documented, and that occurrences that are already recorded in the system do not show up during RMS searches by officers.

Data integrity problems are more prevalent in DAR. In 2005, we recommended that the OPP institute procedures to require supervisory officers to oversee the completeness and accuracy of the information entered into the system by officers. This was only partially implemented, and a supervisor's approval is required only when officers record overtime hours. Supervisors are also required to ensure weekly that officers have updated DAR, but they do not check or approve the officers' data entries. By comparison, the Sûreté du Québec requires that supervisors approve officers' activity reports on a daily basis.

There is data overlap between the occurrences recorded in RMS and the calls for service recorded in DAR, with between 50% and 80% of similar data in both. Since there is no linkage between the two systems, data has to be manually entered twice. The OPP does not have any processes that regularly compare or reconcile the information in RMS with that in DAR. Our own analysis comparing the similar data in the two systems for 2011 noted a significant difference between the 635,000 calls for service in DAR and the approximately 815,000 occurrences reported in RMS. For example, some of the differences in the number of occurrences or calls for service between RMS and DAR were approximately as follows: 4,000 thefts, 1,200 assaults, 13,000 alarm responses, 26,000 police assistances, 130,000 traffic incidents and 6,000 incidents relating to compulsory auto insurance. The general view among the officers we spoke to at the OPP is that the occurrences data from RMS are more reliable than the calls-for-service data in DAR; however, it is the DAR data that is published in annual reports and used for staffing deployment models.

RECOMMENDATION 11

To help ensure that its two key information systems contain accurate information that can be reliably used for managing and reporting on its policing activities and on crime and traffic occurrences, the Ontario Provincial Police should:

- assess the extent to which the Records Management System and Daily Activity Reporting systems do not reconcile with each other for critical data such as occurrences and calls for services;

- consider whether periodic supervisory approval of officers' daily or weekly data input would help minimize inconsistent and inaccurate data between the two systems; and
- on a longer-term basis, assess the cost/benefit of system changes that would enable officers to enter information such as occurrences and calls for service only once to update both systems.

OPP RESPONSE

As the Auditor General recommends, the OPP has initiated work to identify where RMS and DAR data do not reconcile. Particular attention is being paid to the areas of occurrences and calls for services. Simplification of system input and the elimination of duplication is a specific deliverable of a project established to review the DAR system. The OPP is exploring opportunities for a customizable off-the-shelf product developed by the private sector, and estimates that a product will be procured within the next 18 months.

In addition, the OPP will develop policy and procedure around regular review and signoff for officer-entered data. The expansion of civilian data entry into RMS, which is to begin in 2013/14, is expected to result in improved data entry because of direct supervision and oversight.

PERFORMANCE MEASUREMENT AND REPORTING

The OPP uses its annual report to publicly give details about its programs, services and activities; its three-year strategic plan; motor-vehicle fatalities and injuries; and crime levels and clearance rates. Crime statistics are reported in the same uniform reporting format used by police forces across Canada. As of August, 2012, the most recent OPP annual report covered the 2010 calendar year.

While the OPP reports extensive information on its policing activities, crime and motor-vehicle accidents, it does not report on its own efficiency. By comparison, municipalities and their police forces typically report on their operating costs for police services on a per capita or per household basis. Other police forces set targets for achieving efficiency levels, such as times for its communications centre to respond to an emergency call and officer time lost to illness. In addition, the OPP does not include in its annual report the percentage of time its officers spent on administrative duties.

In its 2011–13 Strategic Plan, the OPP identified four goals:

- public safety, with emphasis on excellence in delivering core police services;
- strong, effective partnerships with communities, stakeholders and colleagues;
- a sustainable workforce that demonstrates expertise, pride and dedication; and
- efficiency and effectiveness in an increasingly complex and challenging policing environment.

The force established performance indicators for each goal, but very few are measurable based on actual performance, and no targets have been set. For the efficiency and effectiveness goal, for instance, the performance indicators include having "uniform workloads statistics," "offering financial training opportunities," and "response to various inquests, inquiries and audits." In its 2010 annual report, the OPP reported on results pertaining to effectiveness achieved on its 2008–10 Strategic Plan, including a list of activities completed, but no measurable results were provided on the cost-effectiveness of its operations.

The OPP conducts a community satisfaction survey every two years. In its last annual report, the force said the 2009 survey found that 95.4% of Ontarians felt safe or very safe in their communities. The results were based on interviews with the general public in specific communities about their views of the OPP. However there was no way to ascertain whether respondents actually had any contact with the OPP. We noted that the RCMP annually reports on the percentage of clients it dealt with who are satisfied that the force is providing high-quality services. In 2010/11, the RCMP's target was 80% and the actual performance was 79%.

RECOMMENDATION 12

While the Ontario Provincial Police provides good information on crime rates and its activities and services, additional information to enable the public to assess its cost effectiveness and operational efficiency is needed. It should also periodically and independently survey community residents who have had recent contact with the force to determine their satisfaction with the service they received.

OPP RESPONSE

The OPP will research best practices with regard to measuring and reporting on cost-effectiveness and operational efficiency within police agencies. The OPP will ensure that the targets it sets for its goals are measurable.

The annual OPP Community Survey includes questions on effectiveness as well as questions specific to residents who have had recent contact with the force. The results are analyzed internally. The OPP agrees with the Auditor General's recommendations on reporting the results and will post its 2012 survey results on the public Internet site. Also, detachment survey results are available to Detachment Commanders to share with their communities.

Chapter 3 Section 3.11

Ministry of Finance

Tax Collection

Background

Taxes are the province's largest source of revenue. The Ontario Ministry of Finance (Ministry), through its Collections Branch (Branch), is responsible for collecting a significant portion of the unpaid taxes owed to the province. The Branch's head office is in Oshawa, with regional and district offices in Toronto, London and Ottawa. The Branch's collections process involves initially sending notices by mail, contacting the taxpayer by phone, and sometimes visiting in person. If these actions fail to recover amounts owing, collectors have other means at their disposal, such as garnishments or registering liens and warrants for seizure and sale of the taxpayer's property.

Accounts are prioritized on the basis of risk, using criteria such as the amount owing, number of times or length of time in collections, whether there is a history of broken promises, and if any legal action has already been taken. Once their priority has been set, the accounts are assigned according to collectors' seniority and experience.

As of March 31, 2012, approximately 90% of the taxes owing that the Branch was responsible for collecting related to Corporations Tax and Retail Sales Tax. The Canada Revenue Agency (CRA), which is responsible for collecting personal income tax on behalf of the province, also began administering Corporations Tax on behalf of the province in January 2009. Similarly, in July 2010 the Harmonized Sales Tax, also administered by the CRA, replaced the provincial Retail Sales Tax. As a result, approximately 75% of the Branch's staff of almost 400 were transferred to the CRA effective March 2012. However, the Ministry remains responsible for collecting Corporations Tax and Retail Sales Tax amounts owing prior to the transfer of the administration of these taxes to the CRA. The Ministry expects that by 2014 it will have wound down most of its work on collecting these amounts.

In the 2011 Ontario Budget, the government proposed centralizing the collection of all government non-tax revenue within the Ministry of Finance. Under this proposal, the Ministry's Collections Branch would continue to collect taxes that it administers, but would also become responsible for collecting non-tax revenue on behalf of other provincial ministries. At the time of our audit, the Ministry of Agriculture, Food and Rural Affairs was the first ministry scheduled to transfer non-tax receivables—in this case, overpayments to crop producers totalling approximately $29 million—to the Ministry of Finance in fall 2012.

Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Finance (Ministry), through its Collections Branch (Branch), had adequate systems, policies and procedures in place to:

- maximize the recovery of taxes owed to the province; and
- reliably measure and report on the effectiveness of these collection efforts.

Ministry senior management reviewed and agreed to our objective and associated criteria.

The Branch's head office in Oshawa is responsible for accounts representing about 80% of the taxes that the Branch is responsible for collecting. Our audit, therefore, focused on a review and analysis of relevant collection accounts at this office, its administrative policies and procedures, as well as discussions with appropriate staff. However, we also reviewed a number of accounts assigned to collectors in the Branch's regional and district offices.

The scope and extent of our audit work also took into account several recent initiatives by the Ministry. The Branch hired a consulting firm in 2009 to review its operations and recommend best practices and potential collection tools from jurisdictions similar to Ontario. In 2009, the Branch also co-founded the Inter-Jurisdictional Tax Operations Network (ITON), whose membership includes 11 American states and seven Canadian provinces, to share knowledge about the collections process. As part of the audit, we reviewed and assessed best practices identified through ITON surveys and the external review commissioned by the Branch. In August 2010, the Ministry's Internal Audit Division conducted a review of the collection processes of accounts deemed to be low-risk. This division also annually reviews the Ministry's allowance for doubtful accounts and the write-off process. And in 2011, in anticipation of an expanded role for its Collections Branch, the Ministry commissioned an accounting firm to assess and identify the structure of a centralized collection service as proposed in the 2011 budget.

We also reviewed recent reports on effective collection practices from associations that represent private collection agencies in North America.

Summary

Over the last five years, the province has generated about $330 billion in taxation revenue, of which the Ministry of Finance's Collections Branch (Branch) collected about $6 billion, with the majority of the remaining amount being remitted voluntarily. Although some write-offs are to be expected in any collection process, the Branch expects that it may need to write off up to $1.4 billion of the $2.46 billion in taxes owing to the province that the Branch was responsible for collecting as of March 31, 2012. The $1.4-billion amount is predominantly made up of older accounts that have accumulated over a number of years, and it has been previously expensed in the government's financial statements.

In recent years, the Branch has taken some initiatives to strengthen its collections process. In 2008, collection activity for all tax statutes except Corporations Tax and Self-employed Health Tax migrated to a new system called OntTax. With the implementation of OntTax, the Branch has improved how it prioritizes and assigns accounts to collectors. The Branch has also recently developed guidelines to assist collectors in carrying out and documenting collections activities, as well as implementing a tool that analyzes an account's collection history to predict the likelihood of payment.

To understand why the Branch needed to write off a significant amount of taxes owing, we examined the collection process both for active accounts and for those that the Branch was considering writing off. We found that in most cases we reviewed, the collection actions taken were not timely and the enforcement tools available were not utilized fully. Some of our more significant observations are as follows:

- Taking prompt action is vital in collecting debts. Research shows that the probability of full collection on a delinquent account drops dramatically as time passes. Our work indicated that once an account entered collections, it took an average of seven months for collectors to attempt to reach the taxpayer by phone. We also noted that in more than two-thirds of the cases in our sample, there was at least one instance where no collection action was taken for six months or more.
- Visiting the taxpayer's premises will often increase the likelihood of collecting the amount owing. Field visits were warranted but were not made in a number of accounts that we reviewed. For example, the Branch tried unsuccessfully for nearly two years to reach by phone a taxpayer who owed $100,000 in Retail Sales Tax and had broken a payment arrangement. Making prompt field visits to the taxpayer's retail or business location would be a more effective strategy, especially when significant amounts are involved.
- The Branch had in most cases registered liens and warrants on properties appropriately when such action was considered necessary. However, in a number of the cases that we reviewed, the Branch did not enforce warrants for the seizure and sale of property because of concerns for the viability of the taxpayer's business and the impact on the taxpayer's ability to pay outstanding amounts. Even when businesses had ceased to operate, we noted cases where the Branch still failed to enforce existing warrants to determine whether any assets remained to help pay the debt.
- The Branch may arrange interim payment plans if the taxpayer has outstanding returns to file or needs time to determine a permanent payment arrangement. Payment arrangements were in place in nearly half of the accounts that we reviewed. However, contrary to Branch guidelines, multiple interim payment arrangements that covered only a small portion of the total debt had been in place for extended periods in many of these accounts.
- The Branch did not always make full use of partnership and information-sharing agreements with third parties. For example, the Branch may seek to have a delinquent taxpayer's motor vehicle dealer or liquor licence suspended or revoked. We noted cases where the Branch did not request such action on a timely basis, or at all, after normal collection efforts had been exhausted.

Corporations Tax and Retail Sales Tax make up 90% of the Branch's tax-receivable inventory. Responsibility for administering these taxes was recently transferred to the Canada Revenue Agency (CRA), but responsibility for collecting the amounts owed to the province pre-transfer remains with the Branch. As a result of the transfer, the Branch recently lost three-quarters of its workforce, including managers, collectors and support staff. Of the remainder, more than one-third is management and support staff, and the caseloads of collectors have in many cases doubled and in some cases tripled. This may result in even more write-offs than currently expected. The Branch received approval in the 2009/10 fiscal year to hire temporary employees to compensate for the loss of its personnel to the CRA. At the time of our audit, the Branch had not fully evaluated its post-transfer staffing needs and, as a result, no additional staff had been brought on board.

In order to oversee collection activities effectively, managers should have access to sufficient and timely operational and performance information. However, we found that reports produced by the Ministry's information systems did not adequately support the oversight of the collection function. The Branch's performance measures are also not sufficient to properly evaluate collection efforts at the branch level and at the individual collector level.

OVERALL MINISTRY RESPONSE

The Ministry appreciates the recommendations made by the Auditor General to improve the collections function as we move toward the goal of centralized collections of tax and non-tax debt, as proposed in the 2011 Ontario Budget.

Of the $1.4 billion in write-offs referenced in the Auditor General's report, $600 million has been approved for write-off in 2012. Of the remaining $800 million, approximately $400 million is in bankruptcy/insolvency proceedings subject to federal legislation and from which Ontario may receive some future proceeds; $200 million is still in active collection; and the remaining $200 million is slated for write-off because progressive collection action has been exhausted. Furthermore, prior to writing off accounts, the Branch registers legal actions (personal property liens and warrants of seizure and sale) to secure the Crown's interest should any undisclosed assets be identified. Historically, this has resulted in the recovery of monies from written-off accounts.

In recent years, the Collections Branch has worked to enhance its processes, tools and best practices to improve the collections process. For example, the tax administration system, Ont-Tax, implemented in November 2008, provides the functionality for an automated monthly statement for all accounts with a balance, along with automated letters detailing specific actions on the account to encourage debtors to make contact with the Branch and resolve their tax obligations. The Branch has also introduced data analytics and performance measures, and initiated and led regular meetings of an inter-jurisdictional group of North American collection administrators to identify and leverage best practices specific to collections operations.

Detailed Audit Observations

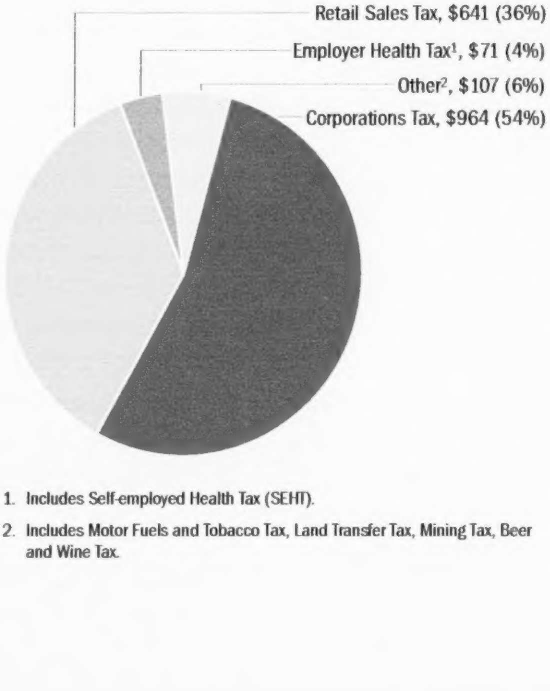
The province generated approximately $330 billion in taxation revenue over the last five years, of which the Ministry of Finance's Collections Branch (Branch) collected about $6 billion, with most of the remaining amount being remitted voluntarily.

As of March 31, 2012, the total amount of the taxes owing that the Branch was responsible for recovering was $2.46 billion. However, of this total, about $680 million has been deemed uncollectible and therefore is to be written off. Staff are focusing their collection efforts on the remaining $1.78 billion in active accounts, of which the Branch estimates that another $720 million may need to be written off.

Corporations Tax and Retail Sales Tax make up most of the active amounts owing, as shown in Figure 1. Because administration of these taxes has been transferred to the Canada Revenue Agency, the Branch's current priority is to wind down the existing pre-transfer inventory of accounts by 2015.

Figure 1: Active Amounts Owing by Tax Statute as of March 31, 2012

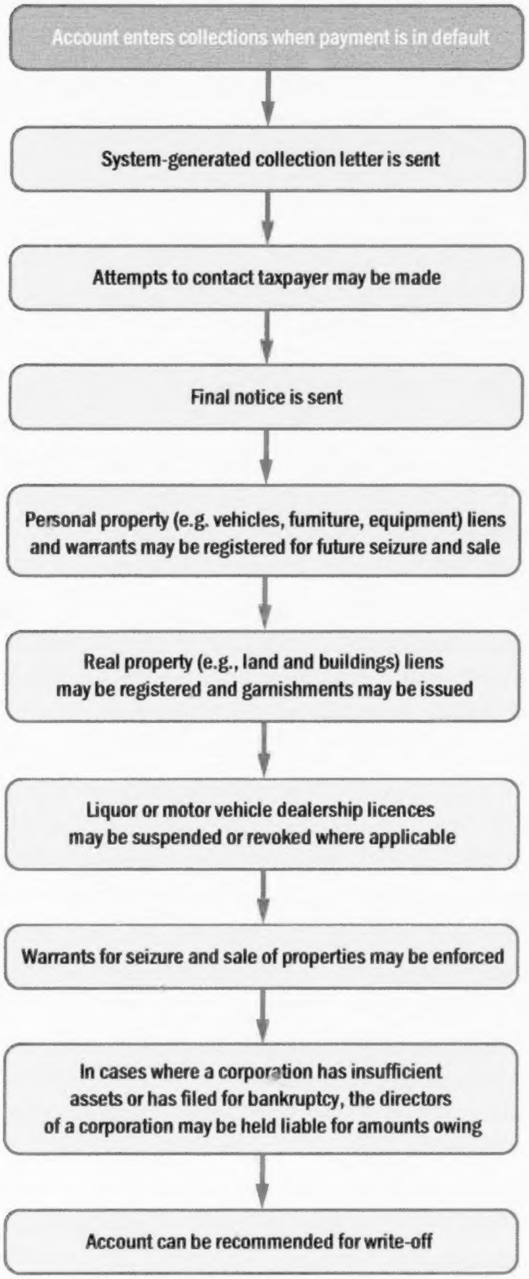
Source of data: Ministry of Finance



1. Includes Self-employed Health Tax (SEHT).
2. Includes Motor Fuels and Tobacco Tax, Land Transfer Tax, Mining Tax, Beer and Wine Tax.

Figure 2: Collections Process

Source of data: Ministry of Finance


Account enters collections when payment is in default
System-generated collection letter is sent
Attempts to contact taxpayer may be made
Final notice is sent
Personal property (e.g. vehicles, furniture, equipment) liens and warrants may be registered for future seizure and sale
Real property (e.g., land and buildings) liens may be registered and garnishments may be issued
Liquor or motor vehicle dealership licences may be suspended or revoked where applicable
Warrants for seizure and sale of properties may be enforced
In cases where a corporation has insufficient assets or has filed for bankruptcy, the directors of a corporation may be held liable for amounts owing
Account can be recommended for write-off

Note:

At any point in the process, a collector is encouraged to attempt to negotiate a payment arrangement, and can:

- obtain security, e.g., in the form of a bank guarantee or a letter of credit;
- conduct a field visit to, e.g., verify taxpayer information, review books and records, or inspect assets; or
- refer the account for an audit. If fraud is suspected, the account may be referred for special investigation.

For the most part, it will assess the need to write off accounts that are old and where the likelihood of collecting is low, and then focus efforts on the remaining accounts.

COLLECTIONS PROCESS

Overview

The flowchart in Figure 2 illustrates the process that the Branch typically follows in collecting amounts owed.

The timeliness of collection actions is the most important factor in successful recovery of amounts owing. A recent survey of its members conducted by an association that represents commercial collectors responsible for 80% of the claims in the United States found that the probability of full collection on a delinquent account drops dramatically as time passes. Its survey results indicated that after only three months, the probability of collecting on an account drops to less than 70%; after six months, collectibility drops to about 50%; and after a year, it drops to a little over 20%. After two years, the probability of full collection on a delinquent account is less than 10%. The association noted that other keys to successful collections include keeping credit records, such as addresses and contact information, current; periodically reviewing collection policies and procedures, as well as rigid adherence to these policies; and ensuring that commitments of a final payment accompany all partial payments.

As shown in Figure 3, as of March 31, 2012, only about $390 million or 22% of the active amounts were less than a year old, while approximately $925 million or more than half were two years old or more. Due to the lower success rate in collecting older accounts, the Branch estimates that $720 million (mainly consisting of Retail Sales Tax and Corporations Tax) of these active amounts owing will also need to be written off. Combined with the more than $680 million already scheduled to be written off, this means that the Branch will need to write off $1.4 billion of the $2.46 billion in taxes owing to the province as of March 31, 2012.

Figure 3: Age of Active Accounts Receivable as of March 31, 2012

Source of data: Ministry of Finance

Age	Active A/R ($ million)	%
Less than 1 year	391	22
1 year to less than 2 years	361	20
2 years to less than 4 years	343	19
4 years to less than 10 years	451	25
10 years and older	131	8
Subtotal	**1,677**	
Other*	107	6
Totals	**1,784**	**100**

* Includes accounts whose age could not be determined.

Collection Activities

The Branch has taken steps in recent years to better guide collectors through the collections process by, for example, developing procedures for activities such as carrying out searches and registering liens and warrants on properties. The Branch has also established standards to ensure that pertinent information from collection activities is documented fully and properly.

To understand why the Branch's collection efforts have not been successful in recovering a significant amount of taxes owing, we examined the collection process through a review of the active accounts as well as accounts that the branch has deemed uncollectible. In most cases, collection actions should have been initiated sooner and the available enforcement tools used more effectively.

- The sooner that collectors establish contact with a delinquent taxpayer, the greater the chance of collecting on that liability. In the accounts that we reviewed, after the system sent collection notices automatically, it took an average of seven months for collectors to attempt to reach the taxpayer by phone. In several cases this initial contact was made two to five years after the account entered collections. We also noted that after the initial contact, in more than two-thirds of the accounts that we reviewed there was at least one instance where the account was not touched for six months or more. The average length of time where there was no activity on the account in these cases was 11 months.
- Visiting the taxpayer's premises is often necessary to verify information about the client and the state of the business and, in some instances, to determine whether there might be assets that could be used to help recover amounts owing. The 2009 external review of Branch operations noted that field visits early in the collection process add the most value when businesses are still in operation and assets remain in place, but that staff tend to exhaust all options from the desk before progressing to a field visit. Indeed, in a number of cases that we reviewed we felt that field visits were warranted but were not undertaken. For instance, in one case the Branch negotiated a payment arrangement of $2,400 a month in October 2009 with a client who owed $100,000 in Retail Sales Tax. However, after paying only a little more than $5,300, the client made no further payments. Over the next 22 months, the Branch attempted to reach the taxpayer by phone without much success. An immediate field visit would have been a more effective strategy for attempting to establish contact with the taxpayer sooner. The taxpayer finally contacted the Branch in February 2012 only because the renewal of the establishment's liquor licence was in jeopardy due to the debt. At the time of our audit, this amount was still outstanding.
- The Branch may take legal actions such as registering liens on properties and warrants for their future seizure and sale if the collector is unable to contact the taxpayer or identifies a risk of loss. The Branch may also take these legal actions when a payment arrangement cannot be negotiated with the taxpayer or an existing agreement is broken. For the accounts

that we reviewed, we noted that the Branch had in most cases registered liens and warrants on properties appropriately when such action was considered necessary. However, we noted in a number of the cases we reviewed that the Branch had not enforced warrants for seizure and sale of properties, for fear of putting the taxpayer out of business and thereby reducing any opportunity to collect amounts owing. While we agree that collectors must exercise judgment in enforcing warrants, we noted that in several instances businesses had ceased to operate but the Branch still failed to enforce existing warrants. For example, in one case a restaurant owner broke a payment arrangement after paying only 5% of a $522,000 tax debt. After several attempts in 2011 to contact the taxpayer, the Branch learned that the company had closed its bank accounts. While the Branch did revoke the restaurant's liquor licence, it did not enforce warrants that had already been registered for the seizure and sale of property even though there may well have been assets available to help pay the debt.

- Directors of companies can be held liable for certain tax amounts owing if previously registered warrants are enforced and no assets are found, or if the company declares bankruptcy and the Branch files a proof of claim against its assets within six months. In several cases, we noted that the Branch could not pursue this option because it had not enforced the warrants it had registered on properties. One company that owed $384,000 in taxes filed for bankruptcy, but the Branch failed to file a proof of claim in time and therefore lost any opportunity to recover taxes owing by this method.
- In certain cases where the taxpayer is willing to pay amounts owing but cannot do so immediately or in full, the Branch may negotiate an agreement with the taxpayer for the payment of the amount owing over a period of time. Interim payment plans can also be arranged if a taxpayer has outstanding returns to file or needs time to determine a permanent arrangement. According to Branch guidelines, interim payment plans are only a short-term measure and do not satisfy the taxpayer's outstanding liability to the province. Payment arrangements were in place in nearly half of the accounts that we reviewed. However, multiple interim payment arrangements that covered only a small portion of the total debt had been in place for extended periods, which was contrary to Branch guidelines. According to the 2009 external review of the Branch, some U.S. jurisdictions use automated debit payments, which have been found to significantly reduce the default rate on payment arrangements. At the time of our audit, the Branch had not formally considered adopting this practice.

Use of Third-party Information

The use of third-party information to corroborate taxpayer information, locate an individual or business, or obtain other data is a critical component for successful collection.

Once an account enters collections, the Branch has access to the Ontario Business Information System maintained by the Ministry of Government Services, to the Ministry of Transportation's driver and vehicle licensing and registration databases, and to the Municipal Property Assessment Corporation's database. Although we found that the Branch uses these databases to search for individuals and businesses and any related assets, it did not always commence the searches on a timely basis. In our review of a selection of accounts, the average length of time between an account entering collections and the first search was 12 months.

For a number of years, the Branch has had partnership agreements with some provincial agencies and the Canada Revenue Agency (CRA) to assist its collection effort, as shown in Figure 4.

Figure 4: Partnership Agreements for Assisting the Collection Effort

Source of data: Ministry of Finance

Agency	Year Effective	Purpose of Agreement
Alcohol and Gaming Commission of Ontario (AGCO)	2003	Ensures that applicants will not be granted a liquor licence renewal or be able to transfer an existing licence until they resolve any tax arrears or tax returns in default.
Ontario Motor Vehicle Industry Council (OMVIC)	1996	Allows the Ministry to recommend that a motor vehicle dealer's right to sell in Ontario be revoked if they fail to resolve any tax arrears.
Canada Revenue Agency (CRA)	1982	**Revenue sharing:** Enables sharing of proceeds where both the CRA and the Ministry have taken collection action against a common debtor.
	1998	**Revenue set-off:** Allows for set-off of revenue from the CRA to recover debts owed to the Ministry, and vice versa.

However, we found the Branch did not make full use of the avenues available through its partnership agreements. In several cases where taxpayers held a vehicle dealer registration issued by the Ontario Motor Vehicle Industry Council (OMVIC) or a liquor licence issued by the Alcohol and Gaming Commission of Ontario (AGCO), the Branch did not initiate having the licences revoked on a timely basis, or at all, after normal collection efforts had been exhausted. For example, the Branch warned a liquor licensee who owed $1.1 million in Retail Sales Tax that it would apply to the AGCO to have the licence suspended or revoked if the taxpayer did not contact the Branch within 30 days. For approximately six months after receiving the warning letter, the taxpayer did not respond, yet the Branch did not begin proceedings to suspend or revoke the liquor licence. Subsequently, after repeated attempts by the Branch over a one-and-a-half-year period, the taxpayer agreed to a payment arrangement. However, the taxpayer defaulted after making only three payments totalling approximately 5% of the debt outstanding. Again at this point, the Branch did not take any action to have the liquor licence suspended or revoked. Two years after breaking the payment arrangement, the taxpayer voluntarily surrendered the liquor licence just as it was about to expire. At the time of our audit, this amount was still outstanding.

The Branch also needs to make better use of information that the CRA may have on delinquent taxpayers. Such information could be used to corroborate details that the Branch has on file or to identify taxpayers' other sources of income. The Branch acknowledged that the CRA exchange of information is a valuable tool that is available for use during the collection process, but that it is not used routinely.

Out-of-province Accounts

At the time of our audit, a Branch analysis revealed that more than $320 million in taxes was owed by individuals and businesses whose mailing address was outside Ontario. According to the Branch, while it can follow up with these debtors by sending notices or by telephoning, it cannot initiate any legal actions such as garnishing bank accounts or registering liens and warrants on properties if the accounts and properties are also out of the province. The Branch indicated that the current legislative framework may not allow the Ministry or a private collection agency that may be acting on its behalf to enforce debt outside the province. It is exploring options including requesting legislative changes that would permit it to sign interprovincial agreements to allow it to initiate more effective collection activities to recover its tax debts outside Ontario.

RECOMMENDATION 1

To maximize the recovery of amounts owing, the Ministry of Finance's Collections Branch should:

- make initial contact with delinquent taxpayers sooner and carry out follow-up efforts, including field visits, in a more continuous and timely manner;
- make better use of all available collection and enforcement tools, including partnership and information-sharing agreements with other parties; and
- continue to consider options, including obtaining any legislative authority that may be needed to allow it to initiate legal actions to collect debts from businesses and individuals residing outside the province.

MINISTRY RESPONSE

The Branch will continue to enhance and strengthen its collection processes—for example, by developing best practices to guide collectors in carrying out and documenting collection activities executed or not executed, and by improving timeliness of actions and how work is prioritized based on risk. The Branch will take into consideration the right balance of initiating actions based on third-party agreements that result in compliance, and actions that limit a business's ability to remain operational. The Branch will also initiate a review of its payment arrangements in the fall of 2012, and recommendations based on the results will be implemented by March 31, 2013.

The Branch is continuing to dialogue with the CRA to enhance our information-sharing ability. Process improvements from this dialogue will be implemented immediately. The Branch is also working to expand the tender contract compliance program to the broader public sector to help ensure that grants are not paid out to businesses that owe a tax debt to the province. It is anticipated that expansion of this program will begin in March 2013.

Ontario legislation is currently not enforceable in other jurisdictions. The Branch will continue to work with legal services and inter-jurisdictional partners to explore options for collecting debt from taxpayers outside Ontario. This issue is to be discussed at the Inter-Provincial Territorial Tax Conference in September 2012. Viable options will be proposed for consideration by decision-makers.

Staffing

On July 1, 2010, the provincial Retail Sales Tax (RST) was replaced by the Harmonized Sales Tax (HST), which the CRA administers. As part of the amalgamation and transfer of the administration of RST, the Branch in March 2010 negotiated an agreement with the CRA in which all Ministry employees affected by the wind-down of the provincial RST received job offers from the CRA. As a result of this agreement, in March 2012 the Branch lost three-quarters of its staff, including managers, collectors and support personnel. Prior to the transfer, the Branch had a workforce of 389 people—264 collection and insolvency officers and 125 management and support staff.

Since the transfer, only 62 collection and insolvency officers remain and are now responsible for the core collection function. Management and support staff number 34 and make up more than one-third of the Branch's workforce. Account caseloads have in many cases doubled for most levels of collection officers since the transfer, and in some cases they have tripled. Such a significant reduction in the Branch's workforce, especially at the collector level, and the consequent increase in caseloads will further hinder the effectiveness of collection efforts on accounts where the probability of recovery still exists, and may well result in even more write-offs than expected at present.

Prior to March 2012, the Branch had a dedicated Field Services Unit of eight field officers who supported the desk collectors by visiting businesses and residences to review clients' records, inspect and appraise assets, and in some cases negotiate payment arrangements. The field officers were also responsible for attending AGCO and OMVIC hearings for the possible suspension of licences when taxes were in arrears or returns were not filed. This unit was eliminated with the transfer of staff to the CRA; the field functions are now handled by senior RST and Corporations Tax (CT) collectors whose caseloads have in many instances doubled, as indicated above. This combination of significantly higher caseloads and additional responsibilities may result in even fewer site visits and additional delays in the desk collection function, further decreasing the likelihood of collecting amounts owing.

The Branch received approval in the 2009/10 fiscal year to hire up to 74 temporary staff up to March 2014. It had hired some temporary staff to work until March 2012 to compensate for its loss of staff as a result of the transfer of the administration of CT to the CRA. However, at the time of our audit, the Branch had not fully evaluated its needs related to the amalgamation and transfer of the administration of RST and, as a result, no additional staff had been brought on board. The Branch informed us in August 2012 that this analysis had been undertaken and actions such as hiring temporary staff were under way.

While other Ontario ministries use private agencies to collect non-tax debt, the Ministry of Finance's Collections Branch does not outsource any part of its collection function. The 2009 external review of the Branch's operations suggested that the Ministry evaluate the use of private agencies for collections. The review scanned practices in seven jurisdictions that had a similar mandate to that of Ontario and found that all used third-party agencies to some extent in their collection efforts. Typically, these jurisdictions used private collection agencies for low-value accounts or accounts where all other means of collections had failed. Similarly, a study conducted by the Inter-Jurisdictional Tax Operations Network, co-founded by the Branch, found that six of nine North American jurisdictions that were surveyed had considered outsourcing collections on a limited basis as a way to share the workload and increase efficiency—for example, on low-value accounts, accounts located outside the jurisdiction, and accounts where internal collection had yielded minimal results. Some of these jurisdictions have had some success in using private collection agencies on tax debts, but have required legislative authority identifying the information that the jurisdiction could give the agencies prior to outsourcing.

We should also note that the Branch still has to determine the resources needed to fully analyze outstanding defaults—that is, corporations that have not filed returns. Specifically, as of March 31, 2012, there were more than 200,000 CT accounts with approximately 500,000 defaults. At the time of our audit, the Branch had not yet analyzed these accounts to identify the age of the defaults or the filing history of the corporations to determine the likelihood of these defaults resulting in taxes payable.

RECOMMENDATION 2

To mitigate the impact of the significant loss of its staff to the Canada Revenue Agency, the Ministry of Finance's Collections Branch should:

- ensure that temporary staff hired to compensate for the loss continue to have the appropriate skill set and experience to carry out collection duties effectively;
- reassess whether senior collectors, in addition to their regular responsibilities, will be able to carry out required field visits effectively and on a timely basis, and attend hearings for the possible suspension of liquor and motor vehicle dealer licences, especially given their recent significant increase in caseloads; and

- evaluate the use of private-sector collection agencies for certain aspects of its collections function.

In the longer term, the Branch should assess whether its current permanent staff complement is sufficient to maximize the collection of non-tax receivables should its mandate expand to include all government non-tax receivables.

MINISTRY RESPONSE

The Branch is proactively addressing staffing for its accounts receivable function in addition to the Retail Sales Tax wind-down. Seventy-four temporary staff are being recruited to address the remaining accounts receivable inventory to maximize collection efforts and recoveries. Work will be rebalanced by December 2012. The temporary staff will be in place until March 2014.

The Branch had previously considered the use of private-sector collection agencies and determined that it was not a cost-effective or viable option due to privacy issues and the requirement for legislative amendments. As part of ongoing discussions with its inter-jurisdictional colleagues, it will explore the option of strategic use of private-sector collection agencies.

As the Branch continues to pursue the collection of non-tax receivables, staff resourcing will be a key consideration and a component of the implementation plan.

Account Prioritization

The Ministry's Collections Branch primarily uses two stand-alone information systems. Corporations Tax (CT) and Self-employed Health Tax (SEHT) accounts reside in the Branch's older legacy system, the Integrated Collections System (ICS). The Branch's collection responsibility for the remaining tax statutes—for example, Retail Sales Tax, Employer Health Tax and Tobacco Tax— is administered through a relatively new system called OntTax. Prior to 2008, ICS was the only system used for the administration of tax collection. In 2008, past collection activity for all statutes except CT and SEHT was migrated onto OntTax. The Branch expects to decommission ICS once it has resolved CT amounts owing. OntTax will continue to support the collection and administration of the remaining statutes, and it will be considered in supporting the collection of the province's non-tax amounts owing if the Branch's role is expanded as proposed in the budget.

An effective method of prioritizing accounts based on the collection risk is important in determining the appropriate collections procedures. For example, high-risk accounts should be subject to more aggressive action, whereas a more moderate approach could be used for accounts that are likely to be paid. With the implementation of OntTax and its risk-scoring methodology, the Branch has significantly improved how it prioritizes accounts held in this system and assigns them to the appropriate level of collectors. The Branch has also recently implemented a tool called the Flexible and Integrated Risk System (FAIRS), which analyzes an account's collection history to predict the likelihood of payment. This helps determine the extent of collection efforts that should be committed to that account. For accounts that are closed, FAIRS provides an overview of which collection activities were successful in recovering tax amounts owing. Currently, FAIRS is used only on RST accounts; the Branch plans to start using the tool for the remaining accounts housed in OntTax in 2013. Since ICS does not have formal risk-scoring capability, accounts housed in ICS for the most part continue to be prioritized and assigned to collectors on the basis of dollar value and date of entry into collections.

Through its risk-scoring function, accounts in OntTax are prioritized using criteria such as the amount owing, number of times or the length of time in collections, whether there is a history of broken promises, and if any legal actions have been taken on the account. Once the priority of an account has been established, it is assigned to collectors in one of three tiers: Tier 1 (low-risk accounts) and Tiers 2 and 3 (medium- and high-risk accounts). However, we noted that once accounts are assigned, collectors often do not use the risk ranking to determine the order in which they work on the accounts.

Since the development of the risk-scoring methodology in OntTax in 2008, the Branch has not updated or formally evaluated it to determine whether this tool prioritizes accounts appropriately. We noted several anomalies in the scoring that indicate a need to review and update the criteria so that collectors can make better use of it to set priorities. For example, risk scoring assesses some of the criteria noted above over the entire history of the account while other criteria are assessed only after 2008, when risk scoring was adopted in OntTax. Also, inconsistency in collection practices affects the score assigned to accounts. For instance, the risk-scoring methodology assigns points to an account every time a notice is sent out. From our review of accounts, we noted a fair amount of inconsistency in the number of notices sent by collectors. As a result, more points had been assigned to some accounts simply because the collector sent more notices; the points assigned did not necessarily reflect the risk associated with the account. We also noted several significant fluctuations in the risk scores without a significant change in the circumstances of the account that would explain the difference.

RECOMMENDATION 3

To ensure the effectiveness of its risk-ranking methodology for prioritizing collection efforts, the Ministry of Finance's Collections Branch should formally assess this methodology to determine whether it is ranking accounts for action appropriately and consistently. The Branch should then develop guidelines to encourage collectors to use the risk scoring to prioritize their work.

MINISTRY RESPONSE

The Branch's Business Enhancement Unit and the staff in the unit who work with the Ministry's automated risk assessment system (FAIRS) will work together to address the Auditor General's concerns. The Branch will review its current methodology and guidelines and make any changes to ensure that collectors prioritize their work in consideration of risks and in ways that will maximize the recovery of taxes owed to the province. The initial review is to be completed by March 31, 2013.

OVERSIGHT OF COLLECTION ACTIVITIES

Sufficient oversight of collectors' work is paramount in ensuring that their efforts are timely and progressive, and that all tools available have been used to recover the most money possible. Supervisory oversight of collection activities consists of two main procedures:

- Semi-annually, collection managers review a sample of each collector's active files. Managers also review specific accounts that collectors have deemed uncollectible to ensure that all collection efforts have been exhausted, or where approval is required for measures such as initiating payment arrangements beyond the collector's authority or initiating and enforcing legal actions.
- The Branch's Performance Analysis Unit (PAU) and the Ministry's Internal Audit Division review accounts that are submitted for write-off to ensure that the amounts are correct, that policies and procedures were followed, and that all collection efforts have been exhausted.

We noted that the managers' semi-annual reviews identified specific issues such as the timeliness of collection actions, incomplete documentation, and failure to use all available tools in the collection effort. Although the managers informed us that they discussed these issues with the respective collectors, we found no evidence of any required action or follow-up to ensure that collectors were making the required changes. We also noted that there is no overall analysis and related feedback on any systemic concerns identified through the managers' semi-annual reviews or the PAU review of accounts submitted for write-off.

RECOMMENDATION 4

To ensure that collection efforts are appropriate, timely and in compliance with established procedures, the Ministry of Finance's Collections Branch should ensure that collectors document any follow-up action taken in resolving issues identified during reviews of their work. The Branch should also identify any systemic concerns, as well as best practices, from its ongoing reviews of active files as well as accounts that are submitted for write-off.

MINISTRY RESPONSE

The Branch has since introduced a requirement for management to perform a follow-up review with collectors to ensure that collectors make the required changes recommended by management. In addition, the Branch will implement a more formalized process to regularly identify any systemic concerns and best practices, and will work closely with the Business Enhancement Unit and Performance Analysis Unit to improve, communicate and monitor the implementation of best practices.

Management Reports

In order to oversee collection activities effectively, managers should have access to sufficient and timely operational and performance information. However, we found that reports produced by the Ministry's information systems did not adequately support the oversight of the collection function. Specifically:

- ICS, which at the time of our audit was used to administer more than 50% of the Branch's accounts-receivable inventory, can readily produce only pre-programmed "canned" reports. Supplemental reports for basic information, such as requests for listings of accounts with payment plans and legal actions in place, take an inordinate amount of time to produce. Such reports can be produced only through special requests or "tickets" to extract the required data from the system—a costly and time-consuming process. Although the Ministry plans to decommission ICS once most of the CT accounts are resolved, the system's inability to produce information useful for collections activities will pose problems in the meantime.
- Although the reporting of key information on accounts within the OntTax system is substantially better than within ICS, there are still some limitations. Specifically, the amount of the assets on which liens and warrants have been registered prior to the 2008 implementation of OntTax and that have not been renewed or amended since are reported at $0 even though information exists within the system on the actual amount of the assets on which individual liens and warrants have been registered. Therefore, the Ministry cannot determine the portion of the tax-receivable inventory that is secured by liens or warrants for these accounts. As well, payment plans often do not cover the total amount of the debt owing, even though OntTax reports the total amount of the debt as being covered by the plan. Accordingly, for these situations OntTax does not provide an accurate picture of the tax-receivable inventory that is secured by payment plans. OntTax also does not provide details such as the number, amount and frequency of instalments associated with individual payment plans.

RECOMMENDATION 5

In light of the fact that the OntTax system will continue to support the collection and administration of the remaining tax statutes, as well as the collection of the province's non-tax amounts owing if the Branch's role is expanded, the Ministry of Finance's Collections Branch should work with ministry systems staff to ensure that the system reports provide complete, accurate and up-to-date information on debtors' accounts.

MINISTRY RESPONSE

The Branch's Performance Analysis Unit and Business Enhancement Unit will continue to work closely with ministry systems staff to ensure that the system reports are complete and accurate and will address any concerns in a timely manner.

Performance Measures

The overall mandate of the Ministry's Collections Branch is to ensure efficient and effective collection of outstanding tax liabilities. The Branch does provide some information on its results for a given year—for example, amounts collected and number of accounts cleared or written off, among other things—and compares the results to those of the prior year. However, prior to the 2010/11 fiscal year, the Branch had not set meaningful benchmarks aligned with its mandate against which it could evaluate performance, either for the Branch or for individual collectors. In the 2010/11 fiscal year, the Branch established an overall benchmark performance measure: the total number of accounts resolved as a percentage of new accounts received. Based on the prior year's result and other assumptions, the Branch set a 75% benchmark for this measure up to the 2013/14 fiscal year. While we recognize the Branch's attempt to establish an overall performance measure, we questioned whether the resulting measure was meaningful given the following:

- It tracks and reports only on results for RST and other statutes that are administered in the OntTax system—less than half of the Branch's accounts-receivable inventory. Therefore, the measure does not provide a complete and accurate representation of the effectiveness of the Branch's overall collection effort.
- The number of RST referrals continues to decrease substantially given the recent transfer of the administration of RST to the CRA. This decrease prevents the Branch from making any meaningful comparison of actual performance with the benchmark. For instance, for the fiscal year 2011/12, the Branch reported that the number of accounts resolved as a percentage of new referrals was 158%. The Branch significantly exceeded its target of 75%, but this could have been due to a significant decrease in new delinquent accounts rather than a significant increase in the collection of existing accounts.

Individual collector performance is measured primarily by the number of clearances (defined as the full recovery of debt). The clearance is credited to the last collector assigned to the account without considering which actions by which collector actually led to the recovery of the debt. This also gives no credit to collectors who were successful in collecting at least part of the outstanding debt. The timeliness of collection activities is measured by whether accounts with balances greater than $100,000, which make up about 80% of the Branch's total receivables, are subject to some sort of action every 90 days. However, the appropriateness or effectiveness of the collections action taken is not routinely assessed.

Our research on effective collection practices in the private sector indicated that dollar recovery rate is the key consideration in grading the performance of agencies responsible for collections, and that different parameters can be used to calculate the rate. For instance, recovery rates can be calculated on the entire portfolio of taxes receivable, on closed accounts, on accounts by age, or by region and district office. Benchmarks can be set for the different recoveries and then compared to the actual rates. In addition, reporting on the reasons why accounts are closed or written off can provide valuable insight on the effectiveness of internal processes.

RECOMMENDATION 6

To enable it to better track the effectiveness of its collection efforts, the Ministry of Finance's Collections Branch should have more clearly defined benchmarks and performance measures for collection, both for the Branch itself and for individual collectors. The outcomes should be tracked, evaluated against established benchmarks, and reported periodically.

MINISTRY RESPONSE

The Branch has recently hired a consulting firm to assist in developing a balanced performance measures scorecard for the Branch and for its individual collectors. The Branch will build on the consultation work provided by identifying data elements available from ministry systems and establishing performance measures and benchmarks. The Branch will also attempt to benchmark itself against similar organizations and will be discussing this with its inter-jurisdictional partners in September 2012. The initial review is to be completed by March 31, 2013.

Chapter 3
Section
3.12

Ministry of Training, Colleges and Universities

University Undergraduate Teaching Quality

Background

Ontario's 20 publicly assisted universities offer graduate and undergraduate degree programs in a wide variety of fields. In 2010/11, these universities enrolled the equivalent of about 390,000 full-time students, excluding about 44,000 foreign and other students taking courses not eligible for provincial assistance. These universities employed approximately 15,000 full-time faculty members. Faculty include tenure-stream staff, who have both teaching and research responsibilities; teaching staff, who generally have no research responsibilities; and part-time sessional instructors, who are under contract to teach one or more courses.

Most Ontario universities were established or continued by acts of the provincial legislature that set up their governing structures. University governance is often a shared responsibility between the Board and the Senate. The Board is generally responsible for the university's corporate side, including management of property, revenues, expenditures and other business affairs. The Senate is responsible for academic matters such as determining the courses of study, setting admission standards, and awarding diplomas and degrees.

Although historically Ontario universities have enjoyed a great deal of autonomy, they are generally required to report on financial and other matters to the Ministry of Training, Colleges and Universities (Ministry). Also, in addition to tuition fees, funds from student services, donations and other miscellaneous revenue, universities depend on a significant amount of government funding. Excluding government funding for student assistance, research and capital grants, the Ministry provided approximately $3.3 billion in operating funding to Ontario's universities in 2010/11.

The Ministry's vision for post-secondary education is to build the province's competitive advantage and enhance its quality of life by having the world's most educated people and the most highly skilled workforce. Since the Ministry expects that 70% of all new jobs will require education and training beyond the high school level, its goal is to have 70% of the people of Ontario attain post-secondary credentials by 2020.

University professors typically have two main responsibilities—teaching students and conducting research in their field of expertise. At the undergraduate level, instruction is more oriented to the classroom teaching of specific courses, while at the graduate level it tends to be done on more of a one-to-one basis or in small group settings. Teaching students contributes significantly to their learning, and ineffective teaching can have an adverse impact on learning. Consequently, high-quality instruction can help the Ministry, the universities and Ontario's students achieve their goals.

Audit Objective and Scope

The objective of this audit was to assess the extent to which the Ministry and selected Ontario universities support, assess and periodically report meaningful performance information on the quality of instruction provided to undergraduate students.

Senior management at the Ministry and selected universities reviewed and agreed to our audit objective and associated criteria.

Our audit work was primarily conducted at Brock University, the University of Ontario Institute of Technology, the University of Toronto, and the Ministry of Training, Colleges and Universities. This work focused mainly on students at the undergraduate level, because undergraduates make up the majority of university students. We also met with the Council of Ontario Universities (COU), which represents the interests of Ontario's publicly assisted universities; the Ontario Confederation of University Faculty Associations, which represents the faculty associations of Ontario universities; and the Ontario Undergraduate Student Alliance, which represents the interests of undergraduate university students. We also spoke to representatives of the Higher Education Quality Council of Ontario, an Ontario government agency set up to generate evidence-based research to assist in the improvement of the post-secondary education system, and to the Ontario Universities Council on Quality Assurance (OUCQA). The OUCQA was established by the COU to oversee quality assurance processes for all academic programs offered by Ontario's publicly assisted universities.

In conducting our audit work we reviewed relevant legislation, policies and procedures, and met with appropriate staff of the Ministry and the universities we visited, including faculty members, department heads and deans (generally, a dean is in charge of a professional faculty such as engineering or law, or an academic faculty such as humanities or social sciences). In addition, we met with a number of students at each university we visited, researched practices in other jurisdictions, and engaged an adviser who is recognized as a leading scholar in research on student development and teaching assessment.

We did not rely on the Ministry's or universities' internal audit departments to reduce the extent of our audit work, because they had not conducted any recent audit work on university teaching quality.

Summary

From the Ministry's perspective, a university's most important mandate is that it does a good job of teaching its students and preparing them for the future workforce. We believe students, their parents and the public would agree.

The administrators (deans and faculty or department heads) we spoke to at the universities visited noted that assessing undergraduate teaching quality in universities is complex and not easily quantifiable. Nevertheless, most felt that relevant measures could be developed to give insight into teaching quality. Although both the Ministry and the universities we visited were not formally assessing and reporting on teaching quality and effectiveness on a regular basis, we observed that information concerning teaching performance that may be useful in some capacity was available at all three universities. For instance, all Ontario universities, including the ones we visited, have instituted a good process whereby undergraduate students are generally given the opportunity to complete evaluations toward the end of the courses they take.

However, our review indicated that little aggregate analysis of the student evaluations is done at the universities we visited, and only about one-quarter of Ontario's universities indicated that they make the summarized results of these evaluations available to students to assist them in their course selection decisions.

It should be acknowledged that, notwithstanding any issues regarding teaching quality, a recent survey of Ontario university students indicates that 78% of senior-year students were satisfied with their educational experience, and all three of the universities we visited had processes in place to varying degrees to improve teaching quality, such as establishing teaching centres and considering teaching performance in tenure and promotion decisions. Nevertheless, some of our key observations on teaching quality at the universities we visited and from available data at other universities suggest a need to better ensure that teaching quality is valued, encouraged and rewarded.

These observations include the following:

- Only one of the universities we visited periodically aggregated undergraduate student course evaluation data, although one of the other universities informed us that it was in the process of establishing a new course evaluation framework and planned to aggregate course evaluation results and analyze them once the system was fully implemented. The third university we visited was not aggregating and reporting the results of student evaluations, nor did it plan to. In fact, we were advised that a decision to defer a faculty member's tenure was reversed on appeal in part because this university's administrators did not have aggregate student evaluation data to demonstrate that the results of this professor's student evaluations were below their expectations.
- A number of faculty we spoke to felt that their annual performance appraisals did not provide them with appropriate feedback on teaching performance. We noted examples where student evaluations had been critical of teaching performance but there was no evidence that specific guidance was provided or that the faculty members had sought assistance to improve their teaching skills. Also, none of the universities visited required providing written performance appraisals to sessional instructors, even though they accounted for between 10% and 24% of full-time-equivalent staff.
- We reviewed a sample of tenure and promotion decisions at the three universities visited and noted that the documentation available on teaching quality was generally positive. However, at one university we were able to review documentation relating to 2011 only, because documentation for previous decisions had been destroyed in accordance with the university's collective agreement. At another university, one individual who was granted tenure was rated well below average in student course evaluations, and administration had consistently suggested improvement in teaching performance. This university did not have the option to defer tenure decisions until performance improved, because a negative tenure decision leads to termination according to its agreement with faculty.
- According to aggregate undergraduate student course evaluation results at one of the universities visited, the university's Faculty of Education consistently outperformed all other faculties by a significant margin in overall ratings of teacher effectiveness. We were told that virtually all members of this faculty, unlike those of other faculties, had formal training in how to teach. Ontario universities in general do not require faculty members to have formal training in teaching. At all three universities visited, performance appraisals revealed examples where, to varying degrees, there was room for improvement in teaching effectiveness, but we did not see evidence that these instructors had been provided with specific guidance or sought assistance from the universities' teaching and learning centres. In fact, at two of the universities visited, records at the centres indicated that faculty

attendance at teaching workshops averaged less than one hour per instructor per year.

- While ministry funding to Ontario universities has increased significantly over the past decade, according to the Council of Ontario Universities (COU), Ontario universities receive less government funding per student than universities in any other Canadian province. A recent COU study also noted that Ontario's student-to-faculty ratio is the highest in Canada. In one university visited, 75% of first-year classroom spaces in several faculties were in classes with over 100 students. Research indicates that large classes can pose challenges to providing effective instruction, which can impact student learning. In a recent survey, faculty across the province noted that their workload had increased over the last five years, resulting in their reducing one-on-one time with students outside the classroom, giving more multiple-choice tests and giving fewer writing assignments.
- The Ministry is making progress toward achieving its goal of having 70% of Ontario's population hold post-secondary credentials by 2020. It reported in 2011 that 64% of Ontarians aged 25 to 64 had post-secondary credentials, compared to 56% in 2002. However, we found that two years after graduation only 65% of graduates surveyed were employed full-time in a job that was related to the skills acquired in their studies. The Ontario Undergraduate Student Alliance indicated to us that students would find such information on graduate employment outcomes beneficial in choosing their university and program of study.

Detailed Audit Observations

PROCEDURES TO ASSESS TEACHING QUALITY

Although the administrators we spoke to at the universities we visited (such as deans and faculty department heads) noted that assessing undergraduate teaching quality is complex and not easily quantifiable, most felt that relevant measures could be developed to give insight into teaching quality. Administrators also noted that no one indicator was sufficient in itself to assess teaching quality. Although the universities we visited were not formally assessing and reporting on teaching quality and effectiveness on a regular basis, we observed that information on teaching performance that may be useful in some capacity—such as student course evaluations, performance appraisals of instructors, student surveys and program reviews—was available at all three universities.

Student Course Evaluations

Student course evaluations are questionnaires that require a written or selected response on a wide range of topics such as course content and the quality of instruction. Although the process differed at the three universities we visited, questionnaires are typically given to students two to three weeks before the final course exam, and results are not provided to instructors until after the final exam is marked and student grades are submitted. In general, policies surrounding the student evaluation process were designed to ensure that the instructor does not influence the responses and that the responses are provided anonymously.

Research on student evaluations reveals that some faculty members question the ability of students to properly assess instructors, but other research indicates that most have a positive view of student course evaluations. Even though research shows that students cannot accurately assess an instructor's knowledge or competency in the discipline, a number of studies conclude that student evaluations are valid, reliable and useful when examined thoroughly. In addition, these studies indicate that students can very accurately assess the effectiveness of in-class teaching, including presentation, clarity, the instructor's level of organization, the course workload and their own overall learning experience.

We reviewed the student evaluation process at the three universities and were informed that most undergraduate courses were being evaluated. Exceptions were small classes and one university that did not always evaluate courses taught by part-time sessional staff. Only one of the three universities used a common questionnaire for all undergraduate courses. The other two universities did not have a common student evaluation questionnaire to be used across different faculties and, in one case, student evaluation questionnaires even differed across departments within a single faculty.

The university that used a common questionnaire had also taken the initiative of developing an online system where data could be aggregated and compared at the faculty and university levels. Our analysis of this data revealed that, over the last five years, the average instructor score was 1.22 on a scale of –2 to +2, indicating that students were generally satisfied with the quality of instruction they had received. Further analysis of this data revealed the following:

- There were significant differences in professors' scores between faculties, with the average scores over the last five years ranging from 1.03 to 1.46. However, the university had not formally investigated reasons for differences between faculties in order to identify and share best practices that could improve teaching quality at lower-performing faculties.
- We also noted differences in the performance of different types of instructors. For example, over the last three years, tenure-stream and teaching-stream faculty were rated almost identically (1.23 and 1.25) by students, whereas sessional instructors on average received lower scores (1.03). This university relies heavily on the use of sessional staff, who accounted for 24% of its full-time-equivalent staff and were responsible for teaching approximately 40% of its courses. This overall student assessment was consistent with the opinions of the administrators we spoke to, who indicated that, partly because sessional staff often have competing employment commitments, they generally provided instruction that was of lower quality.

One of the other universities visited informed us that it was in the process of establishing a new online course evaluation framework with core questions common to all faculties and departments. As well, this university planned to aggregate the results and undertake analysis of the data once the system was fully implemented. At this university, the vast majority of faculty received a teaching rating of at least "good" in the student course evaluations we reviewed.

We could not review student course evaluations at the third university because its collective agreement with faculty stipulates evaluations to be the property of the professor, and we were not given access to them. The collective agreement stipulates that student evaluations can be used by administration in the tenure and promotion process, and for annual appraisals. However, a score from student evaluations was recorded in about half the activity reports we reviewed (faculty members submit these reports to administrators for annual appraisal purposes). Most of these scores were positive, although we could not verify their accuracy, and in many cases it was unclear whether the score represented an overall average of different questions concerning teaching performance, or whether it reflected the answers to a single question. We observed an instance at this university where the decision to defer a faculty member's tenure, based on concerns about teaching, had been reversed on appeal. University administrators informed us that this was due in part to the fact that they did not have aggregate student evaluation data to demonstrate that the results of this professor's student evaluations were below their expectations.

We found that only one of the three universities gave students access to the summarized results of course evaluations, and this university informed us that only half of its students could easily access the results. This university also informed us that once its new framework is implemented, students would have access to the summarized course evaluation results unless the instructor elects to opt out of the process. The students we spoke to at all three universities, as well as representatives from the Ontario Undergraduate Student Alliance (OUSA), felt that students would find the results of student course evaluations useful for making decisions regarding future course selection. As well, OUSA representatives and some students we spoke to noted that when results are not available, students tend to not take the evaluation process as seriously. This was because they feel that the results are not actually used by the university or the professor. We contacted all 20 publicly funded universities in Ontario and were informed that they all provide most students the opportunity to complete course evaluations. However, just five indicated that the results of these evaluations are generally made available to students.

While administrators at two of the three universities generally felt that the results of student course evaluations could be used along with other indicators to provide insight into teaching quality, none of the three universities formally used such evaluations in aggregate to periodically analyze and report on teaching quality at the level of the university as a whole or at the faculties we focused our work on.

Annual Performance Appraisals of Faculty

The annual appraisal of faculty can assist faculty members in their career development and identify weaknesses in performance to facilitate improvement. The three universities we visited had policies in place to annually assess the teaching performance of tenure-stream and teaching-stream faculty. Although the three institutions used different processes, all three included a requirement for faculty members to submit an activity report to the administration detailing, among other things, their teaching activities. This activity report could include information on courses taught, supervision of students, course development, awards and honours, improvements in teaching, and professional development. We were informed that these activity reports and other relevant information are considered along with student course evaluations in the appraisal of the faculty members' overall and teaching performance. The primary source of data available to assess in-class teaching performance at the three universities we visited was student course evaluations, because in almost all cases these were the only documented assessments of classroom instruction.

At one of the universities visited, administrators gave the vast majority of faculty selected for review an overall rating indicating satisfactory teaching performance. At the second university, although the faculty members we selected had received an annual appraisal, about half the professors evaluated did not receive a quantitative score or a qualitative rating tied to specific performance criteria. At the third university, the vast majority of faculty were appraised as being in compliance with their collective agreement—which, according to the agreement, implies satisfactory teaching performance. The administration at this university was generally of the opinion that recognizing differing levels of performance would be useful in facilitating improvements in teaching. However, under the collective agreement, there was no requirement to provide faculty members with a performance appraisal unless a performance-related concern arose.

We reviewed a sample of faculty performance appraisals at the three universities visited and noted the following:

- In a few instances at one university, student evaluations suggested that there may be room for improvement in teaching performance, but there was no evidence in the appraisal or in the file that specific guidance had been provided to the faculty members or that any action had been taken by the faculty members to facilitate improvement.

- Another university's institution-wide student evaluation results indicated that its students were not fully satisfied with the performance of approximately 20% of full-time faculty members. Yet, despite the suggestion in student evaluations that there was room for improvement, in some instances we saw no evidence that the faculty member either had been directed to seek or had sought help. We also observed instances where the administration's appraisal of satisfactory performance was not in line with the results of student course evaluations. In one such case, a faculty member's student evaluation results were well below the average, and the administrator had recommended that this individual seek help with teaching skills, but, nevertheless, this faculty member's teaching performance was appraised as eight out of 10.
- At the third university, student comments recorded on course evaluations were not generally reviewed, and the administration often evaluated only the one question on the student evaluations that asks about overall performance. This was despite the availability of student responses to a number of potentially informative questions, including whether the instructor presented material in an organized and well-planned manner, explained concepts clearly with appropriate use of examples, and communicated enthusiasm and interest in the course materials. In our review of a sample of student evaluations, in some cases it was not evident whether the administration had provided feedback to faculty members whose teaching in specific areas likely had room for improvement (although the vast majority of faculty members received an overall score qualitatively associated with good performance).

At the three universities we visited, a number of professors told us that student course evaluations factored too highly in the assessment of teaching and that their performance appraisals did not provide them with appropriate feedback on their teaching. Some professors at one university suggested that other evaluation techniques, such as periodic peer reviews by other professors, could be used to augment student course evaluations of in-class instruction. However, none of the universities visited used these other evaluation techniques to do so on a regular basis.

Performance Appraisals of Sessional Instructors

As a general rule, none of the universities visited provided written annual performance appraisals to their sessional instructors. Sessional instructors at the three universities accounted for between 10% and 24% of full-time-equivalent faculty. At the university that had the largest proportion of sessional staff, many of them had been employed at the university for several years.

The sessional instructors we sampled generally received favourable evaluations from students at two of the three universities visited. At the third university, we observed several instances where sessional instructors received lower course evaluation scores than the faculty average, and there was no evidence that university administrators instructed these faculty members to seek assistance. In one case a sessional instructor received a contract to teach full time after consistently receiving some of the poorest student evaluations in three successive years. While we were informed that the administration had referred this individual to the university's teaching and learning centre, our review of the centre's attendance log did not indicate attendance at any workshops by this instructor during the previous two years, and there was no documentation for any other professional development work done at the centre.

Because two of the three universities did not provide annual performance appraisals to their sessional instructors, and one did so only occasionally, documentation concerning the teaching performance of sessional staff was generally limited to the results of student course evaluations. This was of concern, as research suggests that no one source of information is sufficient to assess teaching quality and that student course evaluations are just one of the factors to consider. As well, one university had no requirement to administer student evaluations if the course was taught by a sessional instructor. Consequently, for some sessional staff, there may be nothing on file to indicate the quality of their teaching.

Student Surveys

All three of the universities we visited participated in national student surveys that gather information to gain insight into the students' undergraduate and graduate school experiences. The National Survey of Student Engagement (NSSE) was the most-used survey and applicable to the widest cross-section of students. The NSSE is described as the leading tool used to measure student engagement in universities, and there is significant literature associating student engagement with learning outcomes. While the NSSE survey asks a lot of informative questions, those responsible for reviewing and analyzing the results at the universities we visited generally felt that the results of the NSSE could be used only to a limited degree to assess teaching quality. Consequently, they were not using the results for such purposes.

Nevertheless, we found that the NSSE solicits information that can inform universities of areas where improvements can be made. To illustrate, at two of the universities we visited, between 25% and 31% of first-year students selected reducing class size as an item the university needs to address to improve their learning experience. Our discussions with one of the survey's creators identified that NSSE results are more useful at the faculty and department levels than at the university level to identify specific areas that require further scrutiny or action.

Overall, NSSE survey results indicate that students were generally satisfied with their educational experience. For example, in 2011, between 71% and 86% of senior-year students at the three universities rated their educational experience as either good or excellent. The Ontario average was 78%. In comparison, American peer institutions had an average of 84%.

All three universities had also participated in the 2010 Canadian Graduate and Professional Student Survey, in which students were asked, among other things, to comment directly on graduate-level teaching quality. Although none of the universities visited had formally used this survey to identify and address weaknesses, we observed that in aggregate all three performed close to the Ontario average in questions that directly concern teaching quality. For example, for all Ontario universities, an average of 87% of students surveyed rated the overall quality of graduate-level teaching as good to excellent, and all three universities we visited received similar results. At the undergraduate level, two of the three universities we visited participated in the Canadian University Survey Consortium's 2009 survey and again performed close to the average with respect to teaching quality. Overall, 90% of students surveyed were generally satisfied with the quality of teaching they received, and the two universities scored 88% and 93%, respectively.

Program Reviews

In 2010, the Council of Ontario Universities (COU) established the Ontario Universities Council on Quality Assurance (OUCQA). The OUCQA was established to oversee quality assurance processes for all academic programs offered by Ontario's publicly assisted universities and to bring the quality assurance processes that had been in existence for many years under a common framework. The OUCQA is also responsible for auditing each university's quality assurance processes and approving new graduate and undergraduate programs. We were informed that all universities adhere to this quality assurance framework and that ministry funding for new programs is conditional on the programs' approval by the OUCQA.

The emphasis of the quality assurance framework is on evaluating the overall quality of programs offered by universities. As part of this process, universities are required to self-assess their existing programs once every eight years against a set of criteria that includes an evaluation of the program's curriculum, teaching and assessment methods, and human and financial resources. As well, universities are required to assess whether student learning outcomes have been achieved. Learning outcomes include not only the acquisition of specific knowledge in a given field, but also general competencies such as the ability to think critically, communicate effectively and work well with others.

Program reviews offer the possibility of providing at least indirect feedback on teaching quality, since teaching contributes significantly to student learning outcomes. However, discussions with university staff and our examination of program reviews completed under the new quality assurance framework at two of the universities visited revealed that measuring student learning outcomes continues to pose challenges for universities, a view also shared by representatives we spoke to from the OUCQA and the COU. Recognizing this, the COU developed a Teaching and Learning Task Force in 2011 to identify and promote practices to improve teaching and learning outcomes. We were informed that the Task Force was currently in the process of surveying university administrators to identify how learning outcomes are being assessed and to gather opinions on how to improve the assessment of learning outcomes.

The program reviews at one of the universities identified that it had taken steps to move beyond the presumption that offering appropriate courses with appropriate learning objectives would ultimately lead to students meeting the intended learning outcomes. This university had used responses from student surveys to illustrate that learning outcomes had been achieved. However, student perceptions of their learning outcomes may not be indicative of actual student achievement. For example, although the students surveyed were confident of their writing ability, faculty noted their concerns with the quality of student essays and writing skills. Representatives at this university indicated that they were still working on ways to measure student learning outcomes, and some suggested that standardized tests of key competencies could assist in this measurement.

Program reviews, supplemented by independent audits of the review process, can provide valuable feedback about program quality, and we believe that with further refinement they could also provide useful feedback on student learning outcomes.

RECOMMENDATION 1

To help ensure that administrators and students have sufficient information to make informed decisions, and that all faculty members receive the necessary feedback to maintain or enhance teaching quality, universities should:

- consider means to aggregate student course evaluation information at the university, faculty and department levels so that administrators can identify best practices and areas requiring attention;
- develop a core set of student course evaluation questions to be used throughout the university to facilitate comparison of student evaluation results;
- provide students with the summarized results of student course evaluations to assist them in making informed decisions on course selection; and
- ensure that faculty, including sessional faculty, periodically receive constructive feedback on their teaching effectiveness, and encourage faculty to undertake any necessary professional development.

SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed that both university administration and students need sufficient information to make informed decisions and that faculty should receive sufficient feedback to enhance their teaching skills as appropriate. One university notes that it is already well-advanced in the implementation of the recommendations, which it expects will strengthen both the quality of post-secondary education and its accountability.

Another university stated that it is already in the process of implementing an online course evaluation framework that utilizes common university-wide questions that will be answered by all students to ensure consistency and enable aggregation and comparability. In addition, once implemented, the new system will further enhance student access to the results of course evaluations and will facilitate constructive, comparative feedback for instructors and administrators. This university is also committed to ensuring that all sessional instructors periodically receive constructive feedback on their teaching effectiveness.

The third university noted that it was interested in developing a core set of student course evaluation questions that could be used throughout the university. As well, the university understands the use and value of aggregate data and providing students with the results of such evaluations. However, to accomplish this, the university will need to work with its faculty association through the collective bargaining process.

TENURE AND PROMOTION OF FACULTY

Faculty members referred to as tenured have met a university's probationary requirements pertaining to teaching, research and other service to the university. Tenure-stream faculty are the traditional means by which universities are staffed and represent the largest group of full-time-equivalent faculty at all three universities visited. Their responsibilities generally consist of 40% teaching, 40% research and 20% other service (such as participating on committees and performing other administrative duties). At the universities visited, faculty members who achieved tenure were generally awarded the rank of associate professor. Once faculty members receive tenure, it is very difficult for the university to terminate them for performance concerns, although, as in any job, their further progress depends on their ongoing performance. Summaries of tenure applications over the last three years revealed that the three universities granted tenure to 95%, 96% and 100% of the applicants, respectively. We were advised that competition for tenure-stream positions results in numerous well-qualified candidates applying for tenure positions, and therefore high success rates are to be expected.

During their probationary period, tenure-stream faculty members must demonstrate sufficient competence in both teaching and research. At the three universities visited, the probationary period was five to six years. Two of the universities also had interim review processes during the probationary period to assess and provide feedback on the faculty member's progress. At the conclusion of the probationary period, faculty members at all three universities are to prepare documentation with respect to teaching and research, among other achievements, in support of their application for tenure.

While the method of reviewing applications for tenure and promotion differed at the three universities visited, all three included the review of tenure and promotion applications by multiple committees, and approval by the university's academic vice-president and/or president. Information at the disposal of these committees concerning teaching included a teaching dossier that typically contained a description of the individual's teaching philosophy, course development work, sample assignments, letters from students, letters from colleagues, and relevant honours and awards. The summarized results of student evaluations were also typically available to the committees.

Our review of the tenure and promotion processes at all three universities revealed that, while it was evident what information on teaching performance was being provided for the committees' consideration, it was unclear to what degree this information factored into the committees' decisions. We also noted that even though all three universities appraise full-time faculty members' performance annually, the appraisals were not used to inform tenure and promotion decisions at one university, and at the other two universities it was unclear whether they were used.

We reviewed a sample of tenure and promotion cases at the three universities in detail. At one university, while it was unclear to what degree different sources of information factored into tenure and promotion decisions, the documentation submitted on teaching quality was generally positive and supported committee decisions. We noted from this university's record of tenure decisions over the last three years that 94% of faculty had achieved tenure on the basis of a combination of excellent research and competent teaching, and only one faculty member had received tenure on the basis of excellent teaching and competent research. While research is important to the quality of education provided by a university and to its reputation, faculty seeking tenure might not be sufficiently motivated to pursue excellence in their teaching if they believe such results to be indicative of the relative value placed on teaching in tenure decisions.

At another university, we were told that student course evaluations were heavily relied on for tenure and promotion decisions. However, these were not available for our review because of restrictions in the university's collective agreement. While we did not have access to actual student evaluation results, a score was generally recorded in the documentation made available to us. In the decisions that were available for our review, the majority of evaluations were positive. However, we could not check the actual student evaluations to verify the accuracy of such information.

At this same university, although peer evaluations were solicited for tenure and promotion decisions, generally such evaluations did not include an in-class evaluation of the prospective candidate's instruction as was done at one of the other universities visited. The information that we could review at this university did not identify significant concerns about teaching quality in tenure and promotion decisions—although, as previously noted, one decision to defer tenure was overturned on appeal because the administration did not have sufficient information to demonstrate that the faculty member's teaching performance was significantly below average. At this university we were able to review documentation relating only to the 2011 tenure and promotion decisions. This was due to the collective agreement, which required all materials relating to the tenure and promotion process to be destroyed immediately after a decision is reached unless an appeal or grievance is lodged. Therefore, the university could not demonstrate that a sound process had been followed in reaching any previous decisions.

The tenure and promotion decisions that we reviewed at the remaining university included examples where faculty members who received student evaluation scores below the average for their faculty were granted tenure and/or promotion to full professor. In each of these cases, the administration noted that the faculty member's research was highly rated. These cases included one where, in the two years leading up to tenure, students rated the faculty member's performance well below average. The administration had on several occasions suggested the faculty member seek out opportunities to improve teaching performance. We observed that, unlike one of the other universities we visited, this university's agreement with its faculty did not give it the option to defer decisions on tenure once the application was under review. A negative decision leads to the faculty member's termination. This was of concern, as we noted a number of examples where, after the granting of tenure or promotion, student evaluation results declined or did not improve substantially. In some circumstances, allowing the deferral of tenure decisions could give candidates for tenure an incentive to improve their teaching and the additional time to take formal training.

RECOMMENDATION 2

To help ensure that tenure and promotion decisions and the underlying documentation appropriately reflect the relative importance of a professor's teaching ability, the universities should:

- ensure that all relevant information on teaching performance is made available to tenure and promotion committees and that all documentation supporting their recommendations is retained for an appropriate period of time; and
- explore means to ensure that tenure and promotion processes clearly reflect the relative importance teaching ability has with respect to such decisions.

SUMMARY OF UNIVERSITIES' RESPONSES

The universities supported this recommendation and indicated they strongly value their professors' teaching abilities. One university added that it will review its policies and processes to explore means to provide as much information as possible with regard to teaching and other duties and responsibilities in order to further strengthen existing tenure and promotion processes. Another university noted that its current policies address this recommendation, and it will endeavour to strengthen these policies even further. As well, the university noted that it will enhance the communication and training for academic administrators and members of tenure and promotion committees and put in place more specific guidelines for the retention of related documentation.

TRAINING AND PROFESSIONAL DEVELOPMENT

Ontario universities in general do not require faculty members to have formal training in teaching like elementary and secondary school teachers, who are required, at a minimum, to take a one-year program of teacher education. In addition, the three universities we visited did not require faculty members to undertake periodic professional development related to teaching. Nevertheless, most administrators and faculty members we spoke to at all three universities felt that some formal training was beneficial to being an effective university teacher.

Research we reviewed on other jurisdictions identified that initial training of university instructors is now common in several countries, including the United Kingdom. Some institutions in these countries can require 120 to 500 hours of teacher training. In some cases, the completion of this training factors into tenure and promotion decisions. As well, a study done at 22 universities in eight countries found that students judged that professors who had received training in teaching had improved in areas such as enthusiasm, organizational ability and rapport with students.

According to aggregate student course evaluation results at one of the universities we visited, its Faculty of Education consistently outperformed all other faculties by a significant margin in terms of overall professor ratings. Although the university had not formally identified the reasons for this difference, we were informed that virtually all members of this faculty had formal training in how to teach.

At all three universities visited, our review of faculty performance appraisals revealed examples where there was room for improvement in teaching performance, but we did not see evidence that the administration provided specific guidance to faculty or that faculty subsequently sought out assistance. We noted that, while one university had a good initiative to identify and review the bottom 10% of faculty members based on student evaluation results, the review and any recommended actions were informal. Consequently, it was unclear who the administration determined needed assistance and whether recommendations to obtain assistance were made.

We observed that the three universities visited had teaching and learning centres to support, promote and advance the quality of teaching at their institutions. We also noted that among the services provided at all three of these teaching and learning centres were one-on-one consultations and a variety of teaching workshops open to all faculty members. The faculty members we spoke to at all three universities generally had a positive opinion of the quality of services offered by these teaching and learning centres. However, the available attendance records at the centres (attendance records are not maintained for all services provided) indicate that average attendance in teaching workshops per faculty member was less than two hours annually at one of the three universities and, at the other two universities, less than one hour per year.

All three universities offered orientation to newly hired faculty that included topics related to teaching. We observed that at one of the universities, in addition to a one-day general orientation provided to all new employees, orientation aimed specifically at new faculty was just four hours in length. Attendance records indicate that it was attended by less than 25% of new hires in 2011. We observed that the other two universities offered far more extensive orientation, providing programming over a full week that covered topics such as how to manage the classroom, engage students, design assignments, use technology in the classroom, and plan and maintain courses. At one of these universities, the orientation sessions were open to all instructors, including sessional staff, but we were unable to accurately estimate attendance. At the other university, in which attendance was mandatory, we observed that attendance exceeded 80% of new full-time staff. However, this orientation was not open to sessional instructors; a separate one-day voluntary orientation was provided to them, attended by 60% of new sessional staff.

We noted that the teaching and learning centres at all three universities offered comprehensive training to students serving in a teaching capacity, including programs that provide a teaching certificate upon completion. These programs varied in length, with the longest certificate programs at each university requiring participation in eight to 16 workshops over approximately one to two years. Similar programs were generally not in place for faculty members at the universities, although one university informed us that it had recently opened its certificate program to all faculty members, and another offered a program that awarded a certificate to faculty who had completed at least six teaching workshops.

RECOMMENDATION 3

To help ensure that all faculty members provide effective classroom instruction, universities should work with faculty to encourage greater participation in professional development activities and implement procedures to ensure that faculty who would benefit from additional teacher training are formally encouraged to participate in these activities.

SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally concurred with this recommendation and noted they will continue to emphasize the importance of ongoing development of teaching expertise for all instructors through their teaching and learning centres. One university further noted that it would put in place a mechanism by which those instructors who require additional teaching support are identified and encouraged to engage in suitable professional development. Another university agreed with the importance of effective classroom instruction and will work with its faculty association and faculty to pursue strategies to encourage greater participation in teaching-specific professional development, particularly for those faculty members who stand to benefit from such training. In support of its commitment to strong teaching and learning, this university created a new position—Vice Provost of Teaching and Learning—and enhanced the role of its Centre for Pedagogical Innovation in order to highlight the importance of pedagogy, teaching and learning. This university also noted that it would review its processes to further encourage staff to undertake any necessary professional development.

FACULTY COST AND WORKLOAD

Total operating revenue for Ontario universities amounted to almost $7.5 billion in the 2010/11 fiscal year, with the Ministry's operating grants accounting for a significant portion of this amount. Over the last 10 years, ministry assistance to universities has almost doubled, increasing from $1.7 billion (2000/01) to $3.3 billion (2010/11). After adjusting for the effects of inflation, this amounts to a 57% increase, which compares to a 54% increase in enrolment, from 253,000 to 390,000 students. While ministry funding to Ontario universities has increased significantly over the past decade, according to COU analysis Ontario universities receive less government funding per student than universities in any other Canadian province. Even when tuition is considered, ministry and COU analyses show that Ontario universities rank at or near the bottom of all Canadian universities with respect to revenue received per full-time-equivalent student.

Expenditures on the salaries of faculty holding an academic rank, such as tenure- and teaching-stream staff, increased from $1.05 billion to $2.1 billion between 2000/01 and 2010/11, an increase of about 60% over and above inflation. Over this same period, the number of full-time faculty increased by 25%, from about 12,000 to 15,000. Since student enrolment has outpaced the growth in the number of full-time faculty, the student-to-faculty ratio has increased. According to a recent sector publication, the average salary of Ontario's full-time faculty is 6% higher than the average for all Canadian provinces and the highest in Canada.

Estimates of the ratio of full-time-equivalent students to full-time faculty in Ontario suggest that it increased from 17 students per faculty member in 1988 to 25 students per faculty member in 2008. A recent estimate prepared by the COU noted that, in 2008/09, if all other instructional and academic staff were included, the student-to-faculty ratio would still be about 20 students per faculty member, the highest of all Canadian provinces.

An increase in the average number of students per faculty member typically results in an increase in average class size. While some studies indicate that factors such as the skill of the instructor and the teaching methods used can compensate for larger classes, many studies on the impact of class size suggest that large classes pose challenges to providing effective instruction, which may in turn impact student learning outcomes. Such challenges include less student interaction with faculty, and difficulties in maintaining the students' attention and motivation. In a recent Ontario Confederation of University Faculty Associations survey of faculty members at Ontario universities, 63% noted that average class size had increased in the last five years, and most respondents expressed concern over the increase. Those surveyed noted that the top three changes they had made to their teaching approach in response to an increased workload were to reduce one-on-one time with students outside the classroom, to give more multiple-choice tests and to give fewer writing assignments.

Data we saw at two of the universities we visited demonstrated that their undergraduate class sizes had increased. Although administrators at one of these universities had concerns about the accuracy of their data, the other university calculated that average class size had increased by 20% over the last 10 years. The third university had not calculated average class size but did have class-size distribution data for select faculties. For these faculties, more than 75% of available first-year classroom spaces were in classes of over 100 students. In addition, we observed that, although the full-time-equivalent student enrolment at this university increased by 50% between 1998 and 2010, the number of full-time faculty had remained essentially unchanged.

Research suggests that even though larger class sizes have increased faculty workloads for each course taught, the number of courses taught by tenure-stream faculty has declined in the last 20 years from a norm of 3 full courses in previous years. At all three universities we visited, the expected teaching load was generally 2 full courses per year for tenure-stream faculty. The workload for a typical course consists of three hours of classroom instruction per week for eight months, as well as time spent on course preparation, office hours to address student questions and time to mark tests. We were able to obtain sufficient information from some of the faculties or departments that we focused on to gain some insight into actual teaching loads. At two of the universities we visited, the actual teaching load in the departments reviewed that had such information was 1.4 courses per faculty member per year (although teaching-load calculations do not necessarily include the supervision of graduate students, which, for some professors, can be a significant responsibility). At the remaining university, administrators estimated that the annual teaching load for tenure-stream faculty throughout the university averaged between 1.5 and 1.75 courses per year. Although the expected teaching load at all three universities was generally 2 full courses per year, there were a number of reasons why the actual teaching load differed, including that all three universities offered tenure-stream faculty the opportunity to take a one-year paid leave from the university for every six years worked, primarily to undertake focused research. As well, we were advised that the decline in course workloads over the last 20 years has also been due to a significant increase in the number of graduate students at some Ontario universities over this period. Professors who supervise graduate-level students typically spend less time teaching specific courses and more time providing one-on-one guidance or teaching small groups.

The teaching load for tenure-stream faculty is also significantly affected by their research responsibilities. As previously noted, tenure-stream faculty are typically expected to devote about 40% of their time to research. We noted that all three universities we visited also employed full-time or contract faculty considered as teaching staff, whose primary responsibility is to teach and who accounted for between about 5% and 20% of full-time-equivalent faculty. The expected teaching load for teaching-stream faculty ranged from 3+ to 4 full courses per year. As well, with information supplied to us by the universities, we calculated that the average salary of teaching-stream faculty for the three universities ranged from $74,000 to $100,000 annually, whereas the average tenure-stream faculty salary ranged from $118,000 to $135,000.

At the two universities we visited that employed the highest percentage of teaching-stream faculty, those we spoke to generally felt that using such staff was a good way to address resource constraints. However, none of the three universities visited had undertaken any documented analysis to determine whether they were using the right proportion of teaching-stream staff. As well, concern was raised at all three universities that having too many teaching-stream faculty on staff can affect the university's ability to conduct leading-edge research, which is generally acknowledged as being a secondary, if not the primary, mandate of a university. This could eventually have an impact on teaching quality if faculty do not keep up to date.

The available performance and promotion information at two of the universities suggests that the quality of teaching provided by teaching-stream faculty is as effective as that provided by tenure-stream faculty. A recent study on teaching staff concluded that a reasonable inference can be made that there is a positive relationship between the presence of teaching faculty and the quality of the student learning experience. At one university, teaching-stream faculty had to undergo a probationary period similar to tenure-stream faculty during which they were required to demonstrate that they were excellent teachers. Conversely, at this same university, few faculty in the tenure stream had received tenure on the basis of excellent teaching; the vast majority of tenure awards were based on a combination of excellent research and competent teaching.

Sessional instructors also provide an opportunity for universities to address resource constraints. At all three universities visited, sessional staff were generally paid less than $15,000 per full course taught. Figures provided at the three universities we visited show that sessional faculty accounted for between 10% and 24% of the full-time-equivalent staff. However, sessional faculty are responsible for a larger proportion of the teaching at all three universities. For example, we calculated that at the university where sessional faculty accounted for about 10% of full-time-equivalent staff, they were responsible for teaching 25% of the courses.

The administrators we spoke to at all three universities visited indicated that there are circumstances where sessional faculty may be the most qualified to teach a specific course. However, using these faculty is often not an appropriate way to address resource constraints. Among the reasons cited are that sessional faculty often have other employment commitments that take priority and they are usually not as available to students outside the classroom. At the one university that had institution-wide data, our analysis of student evaluation results identified that although students were generally satisfied with the performance of sessional faculty, teaching-stream and tenure-stream faculty on average tended to perform better than their sessional counterparts.

RECOMMENDATION 4

To enhance their understanding of the impact that use of various teaching resources has on teaching quality and student outcomes, universities should:

- assess the impact of class size on teaching quality and study how best to address the challenges posed by large classes; and
- weigh the impact of using teaching and sessional faculty and the extent to which they can best be used to address resource constraints.

SUMMARY OF UNIVERSITIES' RESPONSES

The universities agreed that teaching quality can have an effect on student outcomes. One university noted that it will undertake an assessment of the impact of class size on teaching quality and of how best to address any challenges posed by large classes. As well, the university would continue to weigh carefully the impact of sessional faculty and the ways in which they can be fairly and effectively used to help the university's students. Another university stated that it would continue to use existing research and data in this area to explore means to measure the impact of various teaching resources on teaching quality and learning outcomes and will take action where opportunities are found to improve student outcomes.

PERFORMANCE MEASUREMENT AND REPORTING BY THE MINISTRY

In May 2011, the Ministry announced a new strategy for post-secondary education. The Ministry's ultimate goal is for 70% of Ontario's population to hold post-secondary education credentials by 2020 that will prepare them for the workforce of the future.

The Ministry expects that 70% of new jobs will require education and training beyond high school.

In 2011, the Ministry reported that 64% of Ontarians aged 25 to 64 had post-secondary credentials, a notable increase from 56% in 2002. To further increase the number of post-secondary graduates, the province has pursued a growth strategy that has resulted in a more than 50% increase in the number of university students over the last 10 years, from approximately 250,000 full-time-equivalent students in 2000/01 to 390,000 in 2010/11. In addition, as part of its May 2011 plan, the Ministry has committed to funding an additional 40,000 university spaces by 2015/16.

Working with students, faculty and post-secondary institutions to identify and measure the essential elements of teaching excellence to ensure that teaching is improved is another key goal of the Ministry's strategy. While the Ministry has committed significant financial resources to support increased enrolment in Ontario's universities, a significant portion of faculty surveyed recently by the Ontario Confederation of University Faculty Associations believed that the quality of undergraduate education had declined over the previous five years. The Higher Education Quality Council of Ontario (HEQCO) and the Commission on the Reform of Ontario's Public Service (Drummond report) have expressed similar concerns that the quality of education at Ontario universities has diminished, for reasons including increased class sizes and the use of more sessional instructors. The quality and effectiveness of teaching can have a considerable impact on student learning outcomes as well as on the Ministry's ability to achieve its goal to adequately prepare Ontario's workforce for the future.

Although the Ministry currently does not directly assess teaching quality in Ontario universities, it collects information that can assist in the assessment of student outcomes, which are in part dependent on teaching quality. For example, the Ministry surveys university graduates and publishes graduate employment rates by program type and institution for the periods six months and two years after graduation. Although it is not published, a significant amount of additional graduate employment information is also collected from these surveys, such as whether graduates are employed full time and the annual salary of graduates.

Many university staff and administrators we spoke to felt that graduate employment outcomes can be used in combination with other indicators to provide insight into teaching quality. In addition, the Ontario Undergraduate Student Alliance as well as the students we spoke to at the universities we visited said that students want additional information on graduate employment outcomes to assist them with choosing a university and program of study that could help them get a good job when they finish university.

The latest survey of 2008 graduates highlighted that more than 90% of graduates are employed two years after graduation. However, our calculations, shown in Figure 1, indicate that a significantly smaller percentage are employed full-time in a job that is somewhat or closely related to the skills acquired in their studies. Employment outside one's

Figure 1: Employment Situation of Ontario's 2008 University Graduation Class (%)

Source of data: Ministry of Training, Colleges and Universities

	Universities Visited			All Ontario
Graduates Two Years after Graduation	**A**	**B**	**C**	**Universities**
Employed	91	95	94	94
Employed full-time*	77	81	77	78
Employed full-time in a job related to skills acquired in university*	61	73	62	65

* unpublished (calculated)

original field of study may very well be rewarding for many graduates; nevertheless, undergraduate students in the process of considering their career options would still find it beneficial to know what the actual employment outcomes for graduates are. As well, by our calculations, only 59% of graduates surveyed across Ontario indicated that they were employed in a full-time job that required at least some university education.

Other jurisdictions publish information on graduate outcomes that is significantly more comprehensive than that published in Ontario. In particular, students in British Columbia are surveyed about their status two and five years after graduation, and the results are reported by survey year, discipline and institution. The surveys' goals are to address university accountability, gather relevant data for program evaluation and planning, and provide students with information to help them make informed decisions. In addition to employment outcomes, the B.C. reports include graduates' opinions on the usefulness of skills acquired in the program of study to their functioning in their jobs, the quality of instruction and learning outcomes. For example, graduates are asked their views on how their university program helped develop skills such as written and oral communication, reading and comprehension, group collaboration and critical analysis. One of the universities we visited stated that it has agreed to participate in a new survey of graduates that is modelled after the B.C. survey.

In 2005, the Ministry created the Higher Education Quality Council of Ontario (HEQCO) to generate evidence-based research to assist in improving the post-secondary education system. Since HEQCO was established, it has published many research papers that have a bearing on teaching quality. Topics covered include the approaches taken to deal with the challenges of large classes, the use of teaching-stream faculty to address increased enrolment, and the validity of student course evaluations as an effective measure of teaching quality. At the time of our audit, HEQCO was in the process of developing a set of performance indicators including measures to monitor, evaluate and improve the quality of education in Ontario's post-secondary education system.

RECOMMENDATION 5

To assist students in making informed decisions on university and program selection and to help achieve its goal of adequately preparing Ontario students for the future workforce, the Ministry of Training, Colleges and Universities should:

- collect and make public sufficient information on student outcomes, including information on graduate employment outcomes and students' satisfaction with the quality of their education; and
- work with the university sector to support the development of meaningful measures for student learning outcomes as a way to maintain teaching quality.

MINISTRY RESPONSE

The Ministry supports the Auditor General's recommendation and agrees that assessing teaching quality in the university sector is not easily quantifiable and is difficult to measure.

The Ministry currently publishes student outcome data, including graduation and employment rates for university graduates, and it is committed to making public additional information that it has collected on graduate employment outcomes.

As well, the Ministry is currently working with universities to implement an Ontario Education Number that will improve collection of student-level data, and the Ministry will consider utilizing performance-reporting mechanisms already in place with universities to collect additional information relating to teaching quality.

As it is increasingly recognized that student learning outcomes may be an effective way to measure teaching quality, the Ministry has made student learning outcomes a key focus of its future direction and has recently started to engage sector stakeholders, including universities, on learning outcomes. In addition, the Higher Education Quality Council of Ontario (HEQCO) supports this focus through several projects aimed at defining and understanding student learning outcomes, including co-ordinating Ontario's participation in an OECD feasibility study, and evaluating the use of learning-outcome measurement tools in pilot universities. As well, HEQCO is working with the post-secondary education sector on system performance measures, including indicators of quality.

SUMMARY OF UNIVERSITIES' RESPONSES

The universities agree that meaningful information would benefit students in making informed decisions on university and program selection, and they will work with the Ministry and the university sector to develop meaningful measures for student learning outcomes. One university noted that it already collects information on teaching quality and student outcomes and will continue to improve on these efforts. In 2012/13, the university will be implementing a Graduate Outcomes Survey for graduates of undergraduate programs who are five years post-graduation. The survey will provide valuable feedback on the status, experiences and perspectives of graduates as they become established in their post-graduation careers.

Chapter 3

Section

3.13 Youth Justice Services Program

Ministry of Children and Youth Services

Background

The Ministry of Children and Youth Services (Ministry) is responsible for providing community and custodial programs and services to Ontario youths aged 12–17 who have been charged with a crime and are awaiting trial or have been found guilty by the court. The Ministry also provides some services for youths at risk of committing a crime. The goals of the Youth Justice Services program are to reduce reoffending, contribute to community safety, and prevent youth crime through rehabilitative programming, holding youth accountable and creating opportunities for youths at risk.

Less than 2% of youths in Ontario are involved with the youth justice system. Males account for 75% of all cases.

During the 2011/12 fiscal year, the average daily population in Ontario's youth justice system was about 9,200, comprising 8,600 under community supervision (that is, where regular reporting to a probation officer is generally required) and 600 in a youth custody/detention facility—specifically, 200 in open custody/detention (that is, a type of group home in the community) and 400 in secure custody/detention (that is, a residential setting where youth are restricted from leaving). The median length of time in the system was one year for youths on probation, 60 days for youths in open custody, 40 days for youths in secure custody, four days for youths in open detention and seven days for youths in secure detention.

At the time of our audit, the Ministry was delivering the program through four regional offices that co-ordinated and managed Youth Justice Services across Ontario through 64 probation offices, almost 500 community-based programs and services, 45 open custody/detention facilities operated by transfer-payment agencies, and 20 secure custody/detention facilities, six of which are operated by the Ministry and the rest of which are operated by transfer-payment agencies. The facilities had a total capacity of approximately 1,000 beds.

In the 2011/12 fiscal year, the Ministry spent $370 million on the Youth Justice Services program, including $168 million in transfer payments to approximately 200 community-based agencies. The federal government contributed $67 million toward these costs under various cost-sharing agreements.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Children and Youth Services (Ministry) had adequate oversight and management procedures in place over the Youth Justice Services program to ensure that:

- legislative and judicial requirements, as well as program policies and procedures, are being complied with;
- financial and human resources are being managed cost-effectively; and
- the Ministry measures and reports on the effectiveness of its services and programs.

Senior ministry management reviewed and agreed to our audit objective and associated audit criteria. The scope of our audit included a review and analysis of case files and other relevant files and administrative policies and procedures, as well as discussions with appropriate staff at the Ministry's head office and at the three regional offices and four probation offices that we visited. We also visited a mix of open and secure youth custody/detention facilities operated directly by the Ministry or by transfer-payment agencies. In addition, we employed a number of computer-assisted audit techniques to analyze youth records in relation to specific aspects of case management.

We also met with staff of the Provincial Advocate for Children and Youth to obtain their perspective on the program, and we reviewed their latest reports on practices at two custody/detention facilities. We did not conduct any detailed testing at facilities because both the Provincial Advocate for Children and Youth and the Ministry's internal audit team had conducted reviews at some facilities over the past few years.

LEGISLATIVE SCOPE LIMITATION

In order to protect the privacy of youths, the federal *Youth Criminal Justice Act* restricts access to youth justice records to persons specified under the Act or persons designated by the Governor General of Canada or the Lieutenant Governor of the appropriate province. The Act does not name the Auditor General of Ontario as one of the people with access to youth justice records. As a result, in 2006, when conducting an audit of Children's Aid Societies, we requested and obtained an Order-in-Council issued by the Lieutenant Governor of Ontario to access youth files for the purpose of conducting our audit in accordance with the *Auditor General Act*. At the start of this audit, we confirmed with ministry representatives that this Order-in-Council was still in effect to allow us access to youth records. However, this Order-in-Council does not grant us access to the medical, psychological and psychiatric reports on youths resulting from court-ordered assessments. These reports are made available to probation officers and can provide them with very useful information to support decisions on how best to rehabilitate youths placed under their supervision and to protect the public. Because we did not have access to these reports, we did not assess the extent to which the information in them was taken into consideration with respect to the specific programs and services offered to the youths who required court-ordered assessments of their rehabilitation needs.

Summary

Within the past 10 years, the Youth Justice Services program has undergone significant transition stemming from changes in federal legislation and the shift in philosophy from a more incarceration-based approach to a community-based rehabilitation approach. Our best-practice research indicated that the trend in youth justice systems in other jurisdictions has also been to adopt a more community-based focus. This transition included, among other things, a decrease in the number of custody beds, an increase in community-based programs and services, and the separation of youths in custody from adults in custody.

Between the 2005/06 and 2010/11 fiscal years, total program expenditures have increased by 25% to 30% while the total estimated number of youths served by the program has increased by only 5%. As well, ministry operating costs have grown at a much faster rate than funding to transfer-payment agencies, even though the agencies have had to increase the number of programs and services provided due to the focus on community-based rehabilitation.

Our more significant observations were as follows:

- The growth in direct operating costs is due to a large extent to an increase in employee costs. Over the five-year period ending 2010/11, all youth justice program areas, except for probation offices, saw a substantial increase in the number of full-time employees. Staff working in Ministry-operated secure facilities account for more than 60% of all full-time ministry staff involved with the Youth Justice Services program. Although the average daily youth population in these facilities decreased by 37% from 2006/07 to 2010/11, front-line staff levels have moved in the opposite direction, with the number of full-time youth services officers increasing by 50%. In an attempt to better understand these trends, the Ministry has hired consultants in the past few years to review cost disparities in open custody/detention facilities, and to review staff scheduling practices in Ministry-operated facilities.
- In the 2010/11 fiscal year, the average bed utilization rate for open and secure custody/detention facilities was about 50%. Over the years, the Ministry has made attempts to improve the utilization rates by reducing the number of beds available in the system, either through facility closures or by funding fewer beds in existing facilities. However, even with these efforts, the Ministry projects that, as a result of its community-based rehabilitation philosophy, the overall utilization rate will still be only 58% by the 2012/13 fiscal year.
- The average daily cost per youth in custody/detention facilities varies significantly by facility. For example, in 2011, the average daily cost per youth for agency-operated open-custody facilities ranged from $331 to $3,012. The average daily cost per youth at agency-operated secure-custody facilities ranged from $475 to $1,642, while those for ministry-operated facilities ranged from $1,001 to $1,483.
- Despite low utilization rates and probable overstaffing in Ministry-operated secure facilities, in the 2010/11 fiscal year the Ministry incurred $3.9 million in overtime costs for all youth services officers and an additional $11.7 million to supplement youth services officers with contract staff.
- A good initiative has been the introduction of the “single-case-management” model, where an attempt is made to have youths report to the same probation officer while in the system and if they re-enter the system. As well, in our review of case files, we noted numerous instances where the knowledge and experience of probation officers was put to good use in managing the needs of the youths. However, many of the required risk assessments and identified rehabilitation needs were not being documented, and many court-ordered conditions were either not being complied with or we could not determine whether they had been complied with due to a lack of documentation or because the condition was unverifiable.
- The caseload for probation officers dropped from 33 youths per officer in the 2005/06 fiscal year to 26 per officer in 2010/11. While there is no written policy or guideline with respect to caseloads, probation managers told us that the historical benchmark has been around 30–35 cases per officer.
- We found little or no correlation between the target for the number of youths to receive community-based programs or services and the amount of annual funding approved for service providers. We also found that the actual number of youths served in prior years had little impact on approved funding for the following year.

- The Ministry aims to deliver evidence-based rehabilitation programs to youths, and it therefore collects academic research on the most effective treatment models and approaches, which it calls the "What Works Literature." However, although this is a good initiative, we found no documentation or other evidence to show that programs and services available to youths were actually evidence-based or aligned with the literature. The Ministry assumes that transfer-payment agencies use the What Works Literature to develop evidence-based programs and services. But the Ministry's regional staff whom we spoke with and who were responsible for contracting with service providers and evaluating the programs and services offered were generally not aware of the What Works Literature. As well, given that most programs and services are community-based, we expected that ministry staff would do site visits to assess the programs being offered but saw no evidence that they did so. We were told that regional program staff conduct informal evaluations with input from probation officers.
- Ministry recidivism statistics exclude more than 80% of the youths who have come into contact with the Youth Justice Services program. The recidivism rate for youths with community-based sentences who are tracked has remained relatively stable over the past five years, at 35%, while that for youths with custody sentences who are tracked has gotten slightly better, decreasing to 59%.
- In 2010, the Ministry began to pilot exit surveys to collect feedback from youths upon their release from custody/detention facilities and upon completion of their probation period. The Ministry expects to implement both types of exit surveys as a province-wide initiative next year.

OVERALL MINISTRY RESPONSE

The Ministry appreciates the work of the Auditor General and his staff and welcomes their input on how we can further improve youth justice services in Ontario.

Since the creation of the Ministry of Children and Youth Services in 2004, we have transformed our service delivery model to better meet the needs of youth in, or at risk of, conflict with the law. Over the past eight years, the Ministry has successfully repositioned youth justice services from a predominantly custody-focused system to one that is more community-based.

Transformation required integration and realignment of two previously separate and distinct systems and disentanglement of services between ministries to build a dedicated youth justice system that would respond to the principles, provisions and sentencing options of the *Youth Criminal Justice Act* (Act). It is important to note that the Act was introduced by the federal government to achieve a policy shift for youth justice in Canada. The intent of this shift was to reduce the use of custody; increase the use of community-based alternatives; maintain youth justice separate from the adult system; and focus on diversion, rehabilitation, reintegration and addressing the underlying causes of offending behaviour by youth.

The new service delivery model is a continuum of community and custodial services that range from prevention/diversion programs to providing custody and detention. The Ministry uses the significant research about "What Works" to develop programs designed to reduce reoffending, address the needs and risks of special populations such as Aboriginal youth and youth with mental health issues, and provide gender-specific programming. The research also informs the development of policies, tools and probation case-management service delivery.

The Ministry's policies and processes for monitoring compliance and for use of resources have been guided by:

- legislative requirements;
- the shifts from custody to community experienced under the Act;
- the responsibility to address the often complex needs of youth in order to improve outcomes for them and reduce reoffending; and
- the need to maintain the safety of youth, staff and the community.

A Strategic Plan is in place to guide work over the next two to five years in order to strengthen and review the gains made during transformation. The Ministry is committed to taking action in response to the Auditor General's recommendations, which will enhance youth justice services in Ontario.

Detailed Audit Observations

TRANSFORMATION OF THE YOUTH JUSTICE SYSTEM

Prior to April 1, 2003, the federal *Young Offenders Act* governed the prosecution and sentencing of youths for criminal offences across Canada. Among other things, it outlined the requirements regarding custody and supervision. During this time, Ontario offenders under age 18 were served by two ministries: the Ministry of Community and Social Services provided services to youths aged 12 to 15 (referred to as Phase 1), and the Ministry of Community Safety and Correctional Services provided services to youths aged 16 to 17 (referred to as Phase 2). In the latter case, youths in custody were often accommodated in designated units within adult correctional institutions. On April 1, 2003, the *Young Offenders Act* was replaced by the *Youth Criminal Justice Act* (Act). One of the major principles of this new Act was that a young person in custody or detention must be held separate and apart from adults in custody or detention. This caused the Ontario government to begin planning for a transition of youths from adult institutions to facilities designated as youth-only. In addition, the Act indicated that the appropriate level of custody for a young person is the one that is the least intrusive, after taking into consideration the seriousness of the offence, the youth's needs and circumstances, and the safety of the young person and society.

On August 1, 2003, the legal and financial responsibility for Phase 1 youths was transferred from the Ministry of Community and Social Services to the Ministry of Community Safety and Correctional Services. On April 1, 2004, responsibility for all youths was again transferred to the newly formed Ministry of Children and Youth Services, in order to clearly separate the youth justice system from the adult system.

The transformation of the youth justice system from 2003 to 2009 involved:

- the transfer of almost 1,400 staff from the Ministry of Community Safety and Correctional Services to the Ministry of Children and Youth Services;
- the net reduction of 478 beds in secure custody/detention facilities (achieved by closing 429 beds in 11 adult correctional facilities, opening 252 beds in five newly built youth-only facilities and further eliminating 301 beds due to the decline in the number of secure-custody court judgments);
- the reduction of 550 beds in open custody/detention facilities; and
- a 50% increase in the number of community programs and services.

Some services—such as training of custodial staff, nutritional services, information technology and statistical services—continue to be provided by the Ministry of Community Safety and Correctional Services under a service-level agreement.

With the introduction of the *Youth Criminal Justice Act* in 2003, the trend has been a decrease in the use of custody and an increase in community-based programs to rehabilitate offenders under the age of 18. Police and Crown prosecutors are diverting from the court process youths who have committed the least serious offences; for those youths who go through the court process, custody sentences tend to be reserved for the most serious and repeat offenders.

THE YOUTH JUSTICE SYSTEM PROCESS

When a youth is accused of committing an offence, the police will investigate the incident to determine whether to lay charges. The police may choose not to charge the youth if the offence is non-violent in nature and the youth has no prior convictions. In such circumstances, the police may use other measures to divert the youth from the criminal justice system. Other measures can take many forms; for example, the officer may decide to take no further actions against the youth, give the youth a verbal warning or refer the youth to programs in the community. Although the Ministry funds some of these community-based programs, it does not have any involvement in managing the cases of youths diverted by police.

If the youth is charged, the Crown prosecutor also has an opportunity to divert the youth from the criminal justice system through one of the following methods:

- referral to a Youth Justice Committee, whose role is, among other things, to find services and people in the community to provide supervision and mentoring;
- referral to a youth-mental-health court worker who can connect youths to community-based mental health programs; and
- extrajudicial sanctions, which usually require the youth to perform one of the following actions: apologize or make restitution to the victim, write an essay about the offending behaviour, donate money to a charity, perform community service, or attend counselling.

The Ministry provides funding to support more than 30 youth-mental-health court-worker positions. Extrajudicial sanctions are either directly managed by the Ministry through its probation offices or administered by transfer-payment agencies contracted by the Ministry. The probation officer or the transfer-payment agency is responsible for selecting what action is to be taken by the youths serving the sanctions, overseeing completion of these actions and informing the Crown attorney when each case is successfully completed.

If neither the police nor the Crown divert the youth from the criminal justice system, the youth, represented by legal counsel, is taken before a judge who will decide whether to hold the youth in detention until trial. If the court decides the youth is to be held until trial, the Ministry will use criteria outlined in the *Child and Family Services Act* to decide whether to place the youth in open detention or secure detention. The actual facility where the youth is placed is based on proximity to home, gender and any specific risks the Ministry identifies during first contact with the youth, such as possible gang affiliations. The length of stay in detention can range from a few days to more than a year, depending on a number of factors, including the severity of the charges and when the trial ends.

When requested by the court, the Ministry is required to provide assistance during court proceedings, such as preparing pre-sentence reports for the court and co-ordinating other assessments regarding the youth's suitability for more intensive support, rehabilitation and supervision. The Ministry also pays for medical and psychiatric assessments requested by the courts.

If the youth is convicted, the court determines the type and length of sentence as well as any conditions applied to the sentence. The court imposes one of two types of sentences, which are managed by the Ministry:

- Custody—The youth is placed in an open- or secure-custody facility for a specified period of time. These are the same facilities used to hold youths in detention until trial. All custody terms are followed by a period of community supervision equal to one half of the custody period.

- Community supervision—The youth is returned to the community to serve the sentence, which can be expressed in terms of days as in the case of a probation order, or in terms of hours as in the case of a community-service order. Community supervision typically includes regular reporting to a probation officer and may require counselling or rehabilitation.

In general, every sentenced youth is assigned to a probation officer to manage the youth's case while in the system. The probation officer is responsible for identifying the youth's needs, assessing his or her risk to reoffend, and developing a case-management plan to meet those needs and mitigate those risks. Based on the plan goals, the probation officer connects the youth with programs and services in the community, such as anger management counselling. Youths who are sentenced to custody also are assisted and monitored by youth services officers who work in the facilities. These officers are involved with the probation officers in developing case-management plans for youths in facilities, and assist the youths in carrying out the plan's programming and objectives while in custody.

Programs and services to youth in conflict with the law are provided through the Ministry's Youth Justice Services Division. As of March 31, 2012, the Division, with a staff of more than 1,700 people, comprised a corporate office (with 117 staff), four regional offices (with 69 staff), 64 probation offices (with 512 staff) and seven secure custody/detention facilities (with 1,039 staff). Corporate office provides leadership and strategic direction in the development of policy, procedures and programming, and is responsible for, among other things, staff training, investigations and financial planning. Regional offices co-ordinate and manage youth justice services across the province, including contracting with and funding transfer-payment agencies, monitoring expenditures against approved budgets, and conducting annual inspections of custody/detention facilities. Probation offices provide supervision and case-management services to most youths in Ontario convicted of a crime. The Ministry contracts with transfer-payment agencies to deliver all other services, including all community-based programs and services, and to operate the 14 remaining secure custody/detention facilities and all 45 open custody/detention facilities. The transfer-payment agencies, the majority of which are not-for-profit organizations, have been providing services to the youth justice program for a number of years.

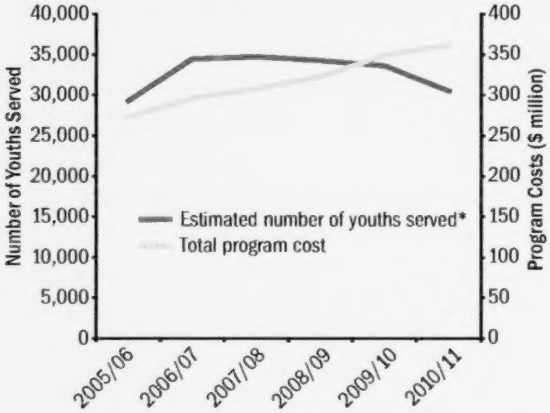
PROGRAM EXPENDITURES

As a result of the shift in emphasis to a more community-based response for dealing with youths in conflict with the law, the number of youths in community-based programs almost doubled between 2005/06 and 2010/11. Over the same period, the number of youths placed by court order in custody and detention dropped by 26%. However, contrary to what one might expect, this shift toward lower-cost community services has not brought about a decrease in total program costs. In fact, program costs from the 2005/06 to the 2010/11 fiscal years have increased for each type of major service activity (that is, prevention, diversion, agency-delivered community-based services and programs, probation, reintegration/rehabilitation, and custody/detention).

Over the past several years, expenditures for the Youth Justice Services program have steadily increased, even though the estimated number of youths served has remained relatively stable, as shown in Figure 1. Between the 2005/06 and 2010/11 fiscal years, the total estimated number of youths in community and custodial programs increased by only 5%, from about 29,000 to about 30,500, while total program expenditures increased by more than 30%, from $273 million to $362 million. (The Ministry informed us that the $273 million in spending for 2005/06 is understated

Figure 1: Total Program Expenditures and Estimated Number of Youths Served, 2005/06–2010/11

Source of data: Ministry of Children and Youth Services



* The Ministry tracks the number of services provided but not the number of individual youths being served. As youths often receive multiple services, counting services overstates the number served. We therefore estimated the number of youths served for each year by counting individuals in prevention programs, in diversion programs, assigned to probation officers and placed into custody/detention facilities.

because it did not include the costs incurred by the Ministry of Community Safety and Correctional Services for operating youth custody/detention units within adult facilities, the costs of which were not available. In 2009/10, after the units were closed down, the Ministry took on the cost of all youth facilities, for which it received an annual budget increase of $18 million. While the Ministry had no data for the years before 2009/10, if an adjustment was made for this, program expenditures would still have increased 25%–30% since 2005/06.) During the same period, federal funding for the Ministry's program provided under various cost-sharing agreements remained relatively steady at approximately $65 million per year.

Between the 2005/06 and 2010/11 fiscal years, ministry operating costs grew proportionately more than funding to transfer-payment agencies (47% and 19%, respectively), even though the number of Ministry-funded programs and services offered by transfer-payment agencies grew by almost 40%. The largest increase in ministry direct operating expenditures was employee costs, which went up 57%, from $94 million in 2005/06 to $148 million in 2010/11. Over this period, all Youth Justice Services program areas, except for probation offices, saw a substantial increase in the number of full-time employees, as shown in Figure 2. Staff working in Ministry-operated secure facilities account for more than 60% of all full-time Ministry staff involved with the Youth Justice Services program. Although the average daily youth population in these facilities decreased by 37% from 2006/07 to 2010/11, front-line staff levels have moved in the opposite direction with the number of full-time youth services officers increasing by 50%. Most of this increase occurred in 2008 and 2009 when three newly built, Ministry-operated facilities became operational. In the 2010/11 fiscal year, the Ministry operated two-thirds of all secure beds in the system, yet received three-quarters of total funding for secure facilities. The Ministry acknowledged to us that the facilities it operates directly are likely overstaffed at the present time and has started to take action that it expects will reduce staffing levels.

Utilization Rates

Custody and detention services provide residential care and 24-hour supervision. Understandably, this is the most costly service activity. The rise in the cost of custody/detention facilities coupled with

Figure 2: Full-time-equivalent Ministry Staff Working for the Youth Justice Services Program

Source of data: Ministry of Children and Youth Services

Location/Staff Type	2005/06	2010/11	Increase (%)
Corporate office	75	114	53
Regional offices	55	69	25
Probation officers	378	384	2
Other probation office staff	113	127	13
Youth services officers	472	675	43
Other ministry-operated secure-facility staff	283	415	47
Total	**1,376**	**1,784**	**30**

a decrease in the number of youths admitted to such facilities has led to lower utilization rates and higher per diem rates.

"Utilization rate" is the term used to describe the percentage of occupied beds in a custody/detention facility over a specified period of time, usually a year. At the start of our audit, the Ministry informed us that the optimal utilization rate for both the open and secure systems was 80%. By the end of our audit, the Ministry had revised this target to 70%. We researched utilization rates elsewhere and were able to find only two other jurisdictions that have established target utilization rates—the state of Virginia has established a target utilization rate of 80%–85% for its youth centres, and Wales in the United Kingdom has set a target utilization rate of 93%.

Figure 3 summarizes the average daily resident count, daily capacity and utilization rates for secure and open facilities for the past five years. For the 2010/11 fiscal year, the average utilization rate for open and secure facilities was about 50%. Secure custody/detention facilities operated by the Ministry had a lower utilization rate (49%) than those operated by transfer-payment agencies (60%).

With the shift away from incarceration to more community-based methods of dealing with youths in conflict with the law, the average daily resident count has decreased as expected. Over the years, the Ministry has made attempts to improve the utilization rates by reducing the number of beds available in the system, either through facility closures or by funding fewer beds in facilities run primarily by transfer-payment agencies. However, the rate of bed reductions has not kept pace with the decreased need, particularly in secure facilities. For example, from the 2006/07 to 2010/11 fiscal years, the average daily resident count in secure and open custody/detention facilities has decreased by 26% and 9%, respectively. In comparison, the Ministry has decreased the number of beds available in secure facilities by 18% and in open facilities by 22%. As a result, the utilization rate in secure facilities has gotten worse, while it has improved in open facilities. We noted that for secure facilities, most of the decrease in the average daily resident count has occurred in Ministry-operated facilities, yet bed capacity has been reduced proportionately more in agency-operated facilities.

During our audit, the Ministry undertook another round of facility closures and bed reductions to try to improve utilization rates. In February and March 2012, the Ministry closed one Ministry-operated secure custody/detention facility, reduced beds in two other Ministry-operated secure facilities and closed four agency-operated open facilities.

Aside from custody/detention units that were closed because they were located in adult correctional facilities, by the time we completed our fieldwork, the Ministry had removed in total 442

Figure 3: Average Daily Capacity and Actual Occupancy at Youth Custody/Detention Facilities, 2006/07–2010/11

Source of data: Ministry of Children and Youth Services

	Secure Facilities			Open Facilities			All Custody/Detention Facilities		
Fiscal Year	**Daily Resident Count**	**Daily Capacity**	**Utilization Rate (%)**	**Daily Resident Count**	**Daily Capacity**	**Utilization Rate (%)**	**Daily Resident Count**	**Daily Capacity**	**Utilization Rate (%)**
2006/07	525	883	60	270	616	44	795	1,499	53
2007/08	520	785	66	288	612	47	808	1,397	58
2008/09	478	751	64	234	525	45	713	1,276	56
2009/10	440	724	61	257	478	54	697	1,202	58
2010/11	388	727	53	244	479	51	632	1,205	52
Change (%)	**(26)**	**(18)**		**(9)**	**(22)**		**(20)**	**(20)**	

secure beds from the system by closing five facilities and downsizing eight others, and had removed 593 open beds from the system by closing 51 facilities and downsizing 11 others. The Ministry advised us that, in assessing closures and downsizing, it must take into consideration not only the average daily resident count but also special circumstances where more than the average number of beds is required. This may be one reason why the Ministry projects that in the 2012/13 fiscal year, the overall utilization rate will improve to only 58%, well below its targeted utilization rate.

Per Diem Costs

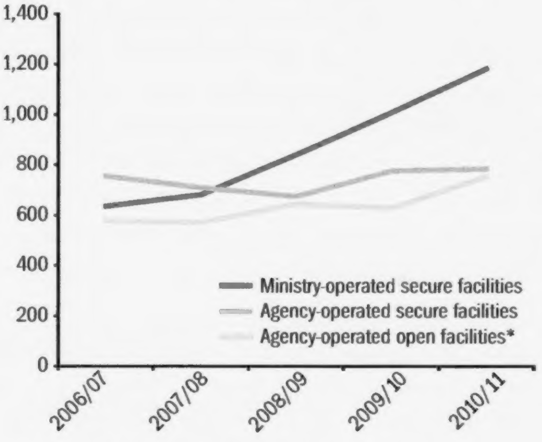
"Per diem" is the term used to describe the cost per day per youth in a custody/detention facility. Over the past few years, average per diem costs have been consistently higher for Ministry-operated facilities than for their agency-operated counterparts. Figure 4 shows how the average per diem costs have increased for every type of facility from the 2006/07 to the 2010/11 fiscal year, but especially for secure-custody facilities directly operated by the Ministry, where average per diem costs have increased by 86%. In contrast, average per diem costs increased by only 4% for agency-operated secure-custody facilities and by 30% for open-custody facilities.

We also noted that per diem costs vary significantly even for similar types of facilities. For example, in 2011, per diem costs for agency-operated open-custody facilities ranged from $331 to $3,012. Per diems at agency-operated secure-custody facilities ranged from $475 to $1,642, while those at Ministry-operated facilities ranged from $1,001 to $1,483.

In 2008, the Ministry hired a consulting firm to conduct a cost analysis of open custody/detention facilities in order to identify the factors contributing to significant cost differences across the system and to provide a funding method to support fair funding decisions. The consulting firm reported that disparities in per diem costs (calculated based on capacity rather than actual utilization) were largely due to the different funding approaches of the former "Phase 1" and "Phase 2" systems. Specifically, most former Phase 1 facilities (for youths aged 12 to 15) had per diem costs that were greater than the provincial average, while most former Phase 2 facilities (for youths aged 16 and 17) had per diem costs that were less than the provincial average. Other factors that contributed to disparities included whether workers were unionized, facility capacity, residents' gender, and whether the facility offered gender-specific programming. The consulting firm identified inconsistent funding practices and large variances among facilities, and recommended a standardized approach. The consulting firm developed a funding tool to enable more comparable funding among service providers. However, as noted by the consulting firm, the tool does not take into consideration the quality or scope of services being provided by the various facilities when analyzing the appropriate funding. In response to the consultant's report, the Ministry increased funding in the 2009/10 fiscal year for those open custody/detention facilities whose per diem costs at full capacity were below the provincial average, and did not change funding for facilities whose per diem costs at full capacity were above the provincial average.

Figure 4: Average Daily Cost per Youth at Custody/Detention Facilities, 2006/07–2010/11 ($)

Source of data: Ministry of Children and Youth Services



* There are no Ministry-operated open facilities.

RECOMMENDATION 1

To help ensure that spending for secure and open custody/detention facilities in the Youth Justice Services program is commensurate with the need for services, the Ministry of Children and Youth Services should:

- take additional steps to improve utilization rates by reducing bed capacity in significantly underused facilities; and
- review all facilities' per diem costs for reasonableness and reduce funding for those whose per diem costs significantly exceed the provincial average, keeping in mind the quality and scope of services provided by each facility.

MINISTRY RESPONSE

The Ministry agrees that program expenditures for secure and open custody/detention facilities must be commensurate with the need for services. Utilization in the youth justice sector is determined by the degree to which courts make orders for detention and sentence youths to custody.

The Ministry regularly monitors bed utilization, taking into account fundamental service principles such as providing services as close to a youth's home community as possible, gender-dedicated services and dedicated services for Aboriginal youth in conflict with the law. In 2012/13, the Ministry will undertake further review of the open and secure custody/detention system to determine if other capacity reductions are possible, while respecting requirements related to maintaining safe environments, meeting legislative requirements for security, meeting the unique needs of youth and maintaining capacity for potential increases as a result of the 2012 federal amendments to the *Youth Criminal Justice Act*.

In 2012/13, the Ministry will start a review of open and secure custody/detention per diem costs to identify the impact of underutilization and confirm budget reasonableness. The Ministry will conduct more detailed review of those facilities where the per diems significantly exceed the provincial average and make adjustments where warranted. As well, the Ministry will conduct a jurisdictional scan of comparable service providers to compare the reasonableness of the Ministry's per diem costs.

FACTORS INFLUENCING EMPLOYEE COSTS AT MINISTRY-OPERATED FACILITIES

Despite the low utilization rates and probable overstaffing in Ministry-operated secure facilities, the Ministry is also using more contract staff and incurring overtime costs. In the 2010/11 fiscal year, the Ministry incurred $3.9 million in overtime for all youth services officers, and an additional $11.7 million to supplement youth services officers with contract staff. According to an external review of staffing costs at directly operated facilities in 2011, costs of contract staff and overtime were incurred because of absenteeism, medical accommodations, training, vacancies, scheduling practices and deployment practices. We reviewed some of these causes to determine if the Ministry had taken any mitigating actions to reduce the associated costs.

Sick Leave

In 2008, youth services officers at custody/detention facilities took an average of 21 sick days, about two times the provincial average sick leave for government employees for that year. In our last audit of adult correctional facilities, we found that this issue is also common among corrections officers at those facilities. To reduce absenteeism across youth custody/detention facilities and adult correctional facilities, the Ontario government implemented the following initiatives:

- In August 2009, it introduced the Attendance Support and Management Pilot Program for youth services officers, youth probation officers, corrections officers, adult probation officers and their managers. After a certain number of absences, a meeting is triggered with the employee to discuss his or her attendance record and offer assistance such as information about the Employee Assistance Program. A progress report issued by the Ministry of Government Services in September 2011 provided results in aggregate. We calculated that 45% of youth services officers and 19% of youth probation officers were required to participate in the program between August 2009 and June 2011. The Ministry did not have information on the number of employees who successfully exited the program, but the Ministry of Government Services reported that for the adult and youth systems combined, two-thirds of employees who entered the program successfully reduced their sick days to below seven days for one year.
- The government negotiated a bonus payout to all youth services officers and corrections officers beginning March 2009 if their combined provincial sick time average was less than or equal to the targets set out in the Ontario Public Service Employees Union Collective Agreement, which in 2011 was 20 days. Since this initiative was introduced, actual sick days for youth services officers dropped from 21 to 14 in the past three years. The Ministry has paid out a total of $1.5 million in bonuses from this initiative. At our request, the Ministry of Government Services estimated the cumulative net savings to be $4.5 million, but we could not confirm whether this estimate was reasonable because of conflicting information on sick days obtained from the Ministry of Children and Youth Services and the Ministry of Government Services.

  The external review of employee costs at Ministry-operated custody/detention facilities stated that although the initiative has good intentions, as it currently works it rewards both those misusing and those not abusing sick-time credits. The review also indicated that there seemed to be a sense of entitlement among staff at many of the Ministry-operated facilities with regard to the use of sick time.

Medical Accommodations

When an employee is temporarily or permanently unable to perform the essential duties of his or her job because of a medical condition or disability, the Ministry is required by a government-wide directive to accommodate the worker in another position that does not demand the same physical abilities. For example, a youth services officer hired as a front-line worker with youths in a facility who can no longer perform his or her duties might be put into an administrative position. We found that in the 2010/11 fiscal year, 6.5% of youth services officers in Ministry-operated facilities were on long-term permanent accommodation. One facility had as much as 17.5% of full-time youth services officers in such temporary or permanent accommodation positions. This occurred more frequently at facilities that have been in operation for some time.

Staff Scheduling Practices

Custody/detention facilities are staffed based on 100% capacity. Although contract staff are to be used on an as-needed basis, we understand that many Ministry-operated facilities fill vacancies with contract staff without evaluating the needs of the site on that particular day—that is, taking into consideration the occupancy level. This leads to overstaffing, since on average only half the beds in a facility are occupied.

Furthermore, we noted that even if all the beds were filled, the facilities might still be overstaffed. Under the *Child and Family Services Act* (Act), all custody/detention facilities are required to maintain a minimum staff-to-youth-in-custody ratio of

1:8—that is, one youth services officer for every eight youths in a facility. In this context, "staff" refers to youth services officers only and excludes facility management, administrative staff and other staff with specialized duties such as kitchen staff. Although operators of custody/detention facilities prepare staffing schedules, the Ministry does not monitor staff-to-youth ratios even for the facilities it operates directly. During one of our visits to a Ministry-operated facility, we noted the facility was routinely overstaffed in comparison to the legislation, as the staff-to-bed ratio in the residential units was 1:3 at peak hours (4 p.m.– 9 p.m.) and 1:5 at non-peak hours (overnight). We were also told at this facility that there were occasions when some youths who were excessively disruptive received one-to-one and two-to-one supervision to de-escalate situations. These staffing situations would not be captured in the ratio above.

At one of the facilities we visited, we observed other staff scheduling practices that result in high employee costs:

- Both the infirmary and the area with the isolation rooms are staffed with at least one youth services officer at all times, whether or not they are occupied.
- Youths who are suicidal require constant two-on-one supervision. Ideally, such youths should be in a facility that specializes in mental health issues or in a psychiatric hospital. Currently only one facility in the youth justice system is accredited as a children's mental health centre, and it often does not have the capacity to meet the demand for its services. For example, we noted that in 2011, about 265 youths were identified as suicidal, and only 18 spent any length of time in this specialized facility.

Use of Secure Isolation

Provisions under the Act allow a secure custody/detention facility to place a youth in secure isolation if that youth's conduct indicates that in the immediate future the youth is likely to cause serious property damage or serious bodily harm to another person, and no less restrictive method of managing the youth's behaviour is practical. A youth services officer who is assigned to watch a youth in secure isolation is not available to supervise others in the facility. We found that Ministry-operated facilities make use of secure isolation rooms more often than agency-operated facilities. For example, in 2011 more than 90% of the placements in secure isolation occurred in a Ministry-operated facility, and the average length of stay in secure isolation was 25 hours in a Ministry-operated facility compared to two hours in an agency-operated facility.

The Ministry indicated that one of the reasons secure isolation was used more in Ministry-operated facilities is that suspected gang members are typically accommodated in ministry facilities and that these youths are more frequently engaged in behaviour that creates an imminent risk to others, which is one of the criteria for using secure isolation. But we noted that the percentage of youths residing in secure facilities who were suspected of belonging to gangs as of December 31, 2011, was comparable—that is, 15% of youths in Ministry-operated facilities compared to 12% of youths in agency-operated facilities. Furthermore, we noted that when one Ministry-operated facility, which routinely used secure isolation, was closed in March 2012 and its youths were sent to an agency-operated facility, the agency-operated facility reported no use of the isolation room in the following month.

RECOMMENDATION 2

To help reduce employee operating costs, particularly at Ministry-operated facilities, the Ministry of Children and Youth Services should:

- staff custody/detention facilities on the basis of expected utilization and not on the basis of full capacity, and use contract staff to fill vacancies only after evaluating the short-term staffing needs of the site;

- reassess whether the bonus payouts from the sick-day program are proving to be a cost-effective strategy in reducing absenteeism;
- investigate high rates of long-term permanent medical accommodation and, where appropriate, implement measures to reduce those rates; and
- identify behaviour-management techniques other than secure isolation that have been used successfully by agency-operated facilities to prevent or manage undesirable behaviour.

MINISTRY RESPONSE

The Ministry acknowledges the importance of effective staffing practices at its directly operated facilities. Staffing in custody/detention facilities must be done to meet the minimum staff ratio under the *Child and Family Services Act*; the requirement for 24/7 intake; ability to maintain the buildings and provide key services (for example, programming, education, health, clinical, case management) regardless of how many youth are present; as well as safety and security requirements. The Ministry is in the process of implementing the recommendations resulting from the review of staff deployment and scheduling practices undertaken in 2011. In addition, a scheduling application is under development, which will result in more consistent and effective staff scheduling practices, leading to decreased staff costs. The Ministry will continue to evaluate capacity and take action where possible, while addressing operational requirements, meeting the complex needs of youth in the facilities, and having due regard for the safety for youth, staff and the community.

Over three years, the government has made substantial and measurable progress toward reducing absenteeism and its associated costs, and sustaining this improvement across the Ontario Public Service Employees Union (OPSEU) Correctional Bargaining Unit. The Ministry of Government Services will reassess the program, the policy and the incentive payments as it prepares for collective bargaining with OPSEU. The Ministry of Children and Youth Services will work with the Ministry of Government Services in this regard.

The Ontario Public Service has recently initiated a disability management review process with the goal of implementing best practices to enhance employment accommodation and return-to-work performance and outcomes. A component of the review involved completing an assessment of current practices and performance relating to disability management policy and workplace resources, disability prevention, and early intervention and return-to-work processes. As a result of this review, an action plan will be developed to implement enterprise-wide program improvements. The Ministry will work with the Ministry of Government Services in this regard.

We acknowledge the Auditor's concern relating to the use of secure isolation. The Ministry is undertaking a review of the use of secure isolation in directly operated facilities to measure operational compliance with legislation, policies and procedures. The Ministry has in place training, a relationship custody approach, tools, policies and procedures relating to behaviour-management techniques and the management of aggressive behaviour by youth. Throughout 2012–14, the Ministry will undertake reviews of directly operated youth centres using the Correctional Program Assessment Inventory, which, among other things, is used to review the types of behaviour-management strategies used, whether the strategies are aligned with the research and whether there are documented procedures for applying the strategies. In addition, the Ministry will identify behaviour-management techniques that have been used by agency-operated facilities to determine whether their use is appropriate for its own facilities.

CASE MANAGEMENT

Case management is the cornerstone to helping a youth become a law-abiding citizen, and therefore is core to contributing to community safety and prevention of youth crime/reoffending. The Ministry's objective in case management is to take maximum advantage of the time that a young person is in the youth justice system, using that time to change his or her mindset and/or other aspects of his or her situation that could reduce the likelihood of reoffending.

The time frame in which the youth is under the care of the Ministry and its service providers is limited. In the 2011/12 fiscal year, the median length of time a youth was in the system was one year for a youth on probation, 40 days for a youth in secure custody, 60 days for a youth in open custody, seven days for a youth in secure detention and four days for a youth in open detention. Therefore, making the most of this limited time is critical to realizing the changes that the Ministry intends case management to achieve.

Assessing Youth and Planning Services

The probation officer conducts a risk/needs assessment to assess the youth's risk of reoffending and determine the level of supervision needed. The probation officer considers the youth's history, lifestyle and personal circumstances. As well, we were told that the probation officer considers information contained in psychological and psychiatric reports resulting from court-ordered assessments. A youth is rated as high, medium or low risk in eight areas: prior offences; family circumstances/parenting; education; peer relations; substance abuse; leisure and recreation; personality; and attitudes/orientation. The results of the assessment are then used to decide on a supervision level and to develop a case-management plan.

In practice, the risk/needs assessment and the case-management plan are one consolidated document that the probation officer completes in collaboration with the youth and other stakeholders—the youth's parents, for example, or the primary youth services officer if the youth is in custody. The plan details how the risks identified in the assessment are to be addressed, and typically specifies one or more programs that the youth must attend, how often the youth must report to the probation officer, and how to comply with the conditions of the court order.

If a youth is in custody, facilities must also prepare a case-management reintegration plan for him or her within 30 days of admission, and update it 90 days after admission, six months after admission and every six months thereafter. The reintegration plan is intended to complement the case-management plan, and details what action should be taken during the custody phase.

We reviewed a sample of case files closed in 2011 for a variety of sentence types. Overall, we found the system to be flexible and that the knowledge and experience of probation officers was being put to good use. For example, although the risk/needs assessment automatically calculates a risk score for the youth, we found instances where the probation officer overrode the score on the basis of personal observations and knowledge of the particular rehabilitation needs of the youth.

However, we did identify some concerns with the risk/needs assessment process and case-management planning:

- One-third of the risk/needs assessments and case-management plans we reviewed were completed late, on average by almost 60 days, while another third were never done, even though they are required by policy given the length of the youths' sentences. Overall, only 60% of the files reviewed contained all the required risk/needs assessments.
- Most case-management plans were incomplete. They failed to include all required items, such as specific timelines for monitoring and referrals, or they did not indicate the manner in which compliance with court-ordered conditions would be monitored.

- Although most case-management plans included goals to address at least some of the youth's risk factors to reoffend, areas assessed as high risk were often not addressed. Overall, more than half of the files we reviewed for youths with completed case-management plans did not have goals for at least one of their high-risk factors. More than 20% of cases did not have goals for any of their high-risk factors.
- We found that reintegration plans were generally prepared on a timely basis. Reintegration plans are meant to outline specific goals for the youth to work on while in custody. However, the goals in some plans were vague—for example, "youth should better himself by attending program or counselling as recommended by clinical staff and probation officer," rather than specifying the particular in-house rehabilitation service or program that would benefit the youth.

Monitoring Efforts by Probation Officers

A probation officer is the first line of contact for most sentenced youths throughout the time the youths are in the care of the Ministry. Probation officers are responsible for monitoring the youth's progress in meeting the goals set out in the case-management plan and making referrals to programs and services based on the conditions set out in the court order, the case-management plan, and other needs of the youth identified during the supervision period. Probation officers must also monitor compliance with all conditions set out in the court order in accordance with the *Youth Criminal Justice Act*. When a youth does not comply, probation officers are required under ministry policy to consider appropriate enforcement options and to document their decision. Enforcement options can include issuing a warning, increasing the level of supervision, asking the court to change the conditions of the court order, bringing the youth back to court on charges stemming from the terms of the court order he or she has breached, and taking no action.

The Ministry has a "single-case-management" policy, in which a youth remains under the supervision of the same probation officer for the duration of his or her court order, and any youth who comes back into the system is reassigned to that same probation officer so long as the reassignment continues to serve the youth's best interest. This relationship-building model is meant to emphasize the quality of interaction between the probation officer and the youth; the importance of creating stable, consistent care; and the value of developing individualized, meaningful case-management plans and interventions. We felt that this was a good policy but noted that the Ministry does not monitor whether its single-case-management policy is being followed, particularly for youths who re-enter the system. In addition, for the youths in our sample, which represents a single continuous period of supervision, more than 40% were under the supervision of more than one probation officer, while 6% saw at least five probation officers during their period of supervision. In most cases, we were unable to determine the reasons for the reassignments because they were not documented in the file.

Our review of the work of probation officers found the following:

- For a significant number of files, there was no evidence that probation officers had made a sufficient effort to assist youths to meet at least some of their established goals. For example, where a youth's goal was to abstain from substance abuse, the probation officer made no referral to a substance-abuse support group or counselling. In another case, the youth had a goal to complete four credits at school, but there was no evidence in the file that the probation officer had worked with the youth on the issue of school attendance. In both examples, the youths did not meet their goals.
- Youths are required to meet regularly with their probation officers, but in almost half of the case files we looked at, we found youths

had not reported to their probation officers as frequently as required given their risk level. This was due to probation officers failing to schedule appointments as frequently as they should have, or to follow up on appointments that the youths missed.

- Thirty percent of the community-service orders were not complied with on a timely basis. As well, we could not verify compliance for an additional 7% of community-service orders because there was no documentation in the case file.
- Less than 40% of conditions in the files we examined were complied with. For the remainder, almost 20% were not met and 40% could not be verified, either because there was a lack of documentation in the file or because the conditions set out in the orders were unverifiable—for example, "keep the peace," "don't possess a firearm," or "don't associate with person X."
- When a probation officer is aware that a court order has been breached, it is his or her responsibility to take appropriate action. We would expect this action to be in the form of an escalation of consequences, depending on the circumstances, starting with a warning and ending by bringing the youth back to court on charges of breaching the terms of the court order. However, in more than a quarter of the cases sampled where the court order was breached, the probation officer did not take timely and/or appropriate action through progressive enforcement. The Ministry indicated that the courts discourage probation officers from bringing forward breaches that might not be considered serious in nature, and that the courts expect probation officers to find ways of enforcing conditions without resorting to returning the youth to court.
- For youths who have committed crimes that are not serious in nature, the Crown may divert them from the court system if the youths agree to participate in extrajudicial sanctions. We found that there are no Ministry guidelines on the type of sanction to be used for the type of offence or type of history—for example, if the youth is a repeat offender. Consequently, sanctions employed varied by case and by probation officer. For example, for the same offence one youth was assigned community-service hours while another only had to write a letter of apology. Although these might well have been appropriate sanctions for each youth given the individual circumstances, supervisory staff have no way of evaluating the appropriateness of the sanction because none of the files sampled contained the underlying rationale for the sanction chosen.

Probation Officer Caseloads

Each probation officer takes responsibility for a certain number of youths and manages them during their stay in the youth justice system. Although there is no documented caseload standard for probation officers, probation managers we met with indicated that a benchmark of 30–35 cases per probation officer was considered reasonable.

According to the Ministry's analysis, the caseload for probation officers dropped from 33 youths per officer in the 2005/06 fiscal year to 26 youths per officer in 2010/11. The Ministry told us that it responded to this decrease by shifting the supervision of community-service orders from transfer-payment agencies to probation officers in 2011.

Ensuring Quality of Case Management

Probation managers are required to review case files annually to monitor probation officers' compliance with standards, policy and procedures. The Ministry has developed a checklist—with more than 100 standards on case-file documentation and monitoring—for probation managers to use to assist them with this oversight responsibility. We attempted to evaluate the case-management monitoring process at four probation offices in the three regions we visited, but one probation office did not maintain any documentation for the three years we chose to examine, and another office could not locate any of the reviews for the 2010/11 fiscal year. In general, we found a variety of practices being used across offices, as follows:

- Ministry policy requires at least five active files and two closed files to be reviewed per probation officer annually. However, over the past three years, we found that generally only three case-file reviews per probation office were being done, and in some cases as few as one. This represents about 12% of the average probation officer caseload of 26. We could not confirm that every probation officer was reviewed because probation offices did not maintain lists of probation officers who worked in that office for the years we tested.
- There was inconsistency among probation offices on how files were selected for review. For example, in one region probation officers were allowed to select most of their files themselves for managers to review. In the other two regions, probation managers selected files randomly from the case register.
- Each case file is reviewed against more than 100 standards. The probation manager judges whether each standard has been met, partially met or not met. For a sample of case-file reviews conducted in the 2011/12 fiscal year that we examined, we noted that almost two-thirds met at least 80% of applicable standards.
- None of the regions we visited had analyzed the results of case-file reviews to identify which standards probation officers consistently had the most difficulty complying with, so that this information could be used in staff training.

RECOMMENDATION 3

To help ensure that case-management efforts result in youths obtaining the services and programs needed for rehabilitation, the Ministry of Children and Youth Services should:

- complete all required risk/needs assessments, case-management plans and case-management reintegration plans on a timely basis;
- ensure that case-management plans have specific goals and recommended programs and services to assist youth in addressing all high-risk areas identified and any court-ordered conditions;
- clearly document in the case files whether or not youths have complied with court-ordered conditions and community-service requirements and, if they have not, what efforts were made by the probation officer to rectify this;
- develop guidelines or policies about what types of extrajudicial sanctions are appropriate to use and when; and
- ensure that the required case-file reviews are being done consistently across all probation offices and determine whether there are any systemic issues warranting additional guidance or training.

MINISTRY RESPONSE

The Ministry is pleased that the Auditor acknowledged the knowledge and experience of probation officers, and the actions already taken to address the recommendations. The Ministry launched a Probation Strategy in May 2012 that will strengthen probation services, accountability and compliance. In addition, the Ministry will review its processes and implement new procedures where necessary to:

- ensure that files are fully documented and clearly demonstrate that appropriate action was taken on a timely basis;
- support quality assurance and effective use of Risk/Need Assessments (RNAs) by probation officers; and
- ensure that all required risk/need assessments, case-management plans and case-management reintegration plans are completed on a timely basis.

In order to track the number of outstanding RNAs, the Ministry is developing a database report that identifies "future due" and "overdue" RNAs so that timely action can be taken by probation managers.

The Ministry agrees that it is important for the case-management plans to address all high-risk areas and will review the practices and training that support probation officers to increase their capacity to engage youth to set and achieve goals on their own.

The Ministry will review its processes and implement new procedures to ensure that files are fully documented and clearly demonstrate that appropriate actions were taken on a timely basis, particularly in respect of court-ordered conditions.

The Ministry will review and revise, if necessary, its existing policies for extrajudicial sanctions to ensure they support selection of appropriate extrajudicial sanctions.

The Ministry recognizes the importance of completing case-file reviews consistently. In October 2011, the Ministry released an updated Case Management Compliance Review Tool and Managers' Guide, which articulates expectations and provides guidance on conducting case-file reviews. In 2013/14, the Ministry will initiate a review of the case-file review process and will specifically look at accountability and consistency in case-file reviews, as recommended by the Auditor. The Ministry will also assess whether there are any systemic issues that warrant additional guidance or training.

PROGRAMS AND SERVICES

The Ministry contracts with transfer-payment agencies to deliver a variety of programs and services, primarily directed to youths who come into conflict with the law, although they also deliver some preventive programming. As seen in Figure 5, these programs and services are grouped into six major service activities, and each offers categories of programs and services. For example, community-based programs/services include attendance centres and managing youth with community-service orders. Reintegration and rehabilitation includes employment- and life-skills training, anger management counselling, substance abuse counselling and housing support. The Ministry contracts with almost 200 transfer-payment agencies to offer almost 500 services and programs across the province. The type of programming and services youths will receive is determined by their risk/needs assessment, and sometimes is listed on their court order.

Transfer-payment agencies are funded on a historical basis. One-time funding adjustments are permitted for non-recurring expenses. Permanent adjustments are permitted when there is a change in the services or programs provided.

Effectiveness of Agency Programs and Services

The Ministry aims to deliver evidence-based programs to youths in conflict with the law in order to rehabilitate them. To this end, it collects academic research on the most effective treatment models and approaches, which it calls the "What Works Literature." However, there was no evidence to show that the programs and services available to youths actually were selected based on the best practices outlined in the literature. The Ministry's corporate office told us that it assumes transfer-payment agencies use the What Works Literature to develop evidence-based programs and services. But the Ministry's regional staff to whom we spoke, who were responsible for contracting with service providers and evaluating the programs and services offered, were generally not aware of the What Works Literature. Consequently, no one ascertains whether any of the programs and services developed by transfer-payment agencies align with the best treatment approaches according to the research.

Figure 5: Funding and Service Activity, 2010/11

Source of data: Ministry of Children and Youth Services

	Funding		Youth Served/ Admissions		Programs/Services	
Service Activity	**($ million)**	**%**	**#**	**%**	**#**	**%**
Prevention	2.9	1	3,637	8	51	10
Diversion	6.5	2	10,386	21	94	19
Community-based programs/services	24.8	9	9,011	18	112	23
Reintegration/rehabilitation	12.5	4	9,395	19	102	21
Probation	50.1	18	8,673	18	66[a]	13
Custody/detention	191.2	66	7,927[b]	16	70[c]	14
Total	**288.0**	**100**	**49,029[d]**	**100**	**495**	**100**

a. Includes 64 Ministry-operated and two agency-operated probation offices.

b. Includes 6,819 admitted to detention and 1,108 admitted to custody.

c. Includes seven Ministry-operated and 63 agency-operated facilities.

d. Some youths have been counted more than once if they received services from more than one service provider.

The Ministry does not have a master list of all of the youth justice programs and services offered by the approximately 200 transfer-payment agencies across the province. Services are detailed in individual contracts with agencies, but these details are not catalogued in regional inventories, either. As a result, probation officers, who are responsible for connecting youths with programs and services that best meet their assessed needs and risk level, must rely on their own experience and on informal discussions with other probation officers and contacts in the community to determine which programs and services are available in their region. Although this type of informal interaction among colleagues and contacts is undoubtedly valuable, without good information on the specific programs and services available in each region, there is a risk of inequities across regions and a risk that youths might not be connected with the services and programs that best meet their needs.

Comparing and evaluating services and programming was also complicated by inconsistent terminology in the Ministry's contracts with transfer-payment agencies. Some used different wording for what seemed to be the same service. For example, "job readiness," "job preparedness" and "employment search" were used interchangeably, as were "education advocacy," "school attendance" and "school support." We noted that one agency just grouped all services under the umbrella term "youth support program," providing little information on the actual services it offered. It was difficult to determine from the contracts specifically what rehabilitation service and/or program was actually being offered by each agency.

RECOMMENDATION 4

To ensure that effective programs and services are offered to youths no matter where they live in Ontario, the Ministry of Children and Youth Services should:

- ascertain that the services and programs contracted for actually align with best-practice youth rehabilitation research; and
- establish and maintain a master list of regional programs and services that uses consistent terminology and make this information available to all probation officers.

MINISTRY RESPONSE

The Ministry agrees that effective and evidence-informed programs and services must be offered throughout Ontario. The Ministry's service continuum, which provides a range of community and custodial programs and services across the province, was guided by the "What Works" literature to promote evidence-based programming responsive to the needs of youths and to contribute to community safety. This approach aligns with the *Youth Criminal Justice Act* focus on addressing the causes of offending behaviour and promoting rehabilitation and reintegration.

A framework for program evaluation is under development to confirm the Ministry's expectations for services and determine whether the various programs adhere to the intended design elements.

The Ministry has completed an inventory of programs for its directly operated youth centres and is currently undertaking an inventory of programs in open and secure transfer-payment facilities. An inventory of programs and services offered in community agencies will be developed over the coming year and will be made available for use by all service providers, including probation officers.

Funding and Monitoring of Programs and Services Offered in the Community

The Ministry enters into annual service contracts with each of its transfer-payment agencies for services offered to the Youth Justice Services program. Among other things, the contract outlines a description of the services to be provided, the amount of annual funding, and service targets to be achieved.

We identified the following with respect to the Ministry's funding and monitoring of third-party agencies:

- We found little or no correlation between service-level targets and the amount of annual funding the Ministry approved. About 60% of services and programs that had a funding increase of at least 10% in the 2011/12 fiscal year did not have a corresponding increase in the agencies' target for number of youths to be served. We also found agencies with similar service-level targets for the same service being funded at different levels. For example, in 2011/12, the Ministry approved a budget of $9,000 for one agency and $32,000 for another to each manage community-service orders for 25 youths. In another example, the Ministry approved a budget of $107,000 for one agency and $165,000 for another to each manage 300 youths serving extrajudicial sanctions. As a result, we found significant variations in actual program costs per youth, as shown in Figure 6.
- An agency's performance has little impact on the funding it will receive the following year. For example, in the 2010/11 fiscal year more than half of the programs and services provided in the community by agencies did not meet their targets for the number of youths served, but almost 70% of these received the same funding amount or more for the following year. The Ministry told us that the agencies have no control over the number of youths served, and given the fact that agencies have mostly fixed costs, reducing funding would likely mean staff layoffs.
- Budgets are adjusted throughout the fiscal year, some as late as March 31, resulting in little variance between the approved budgeted amounts and actual expenditures at year-end. Most funding adjustments happen in the fourth quarter. During the 2010/11 fiscal year, budgets were adjusted during the year for

Figure 6: Actual Costs per Youth for a Sample of Community-based Programs and Services, 2011/12 ($)

Source of data: Ministry of Children and Youth Services

Program/Service	Lowest	Highest	Median
Attendance centre	989	13,037	5,208
Anger management	256	9,704	1,437
Substance abuse	321	8,114	1,264

half of all contracts, and 85% of the funding adjustments were increases. We selected a sample of adjustments in 2010/11 from each of the three regions we visited and noted that 50% of one-time adjustments had little supporting documentation from the agency to substantiate the need for additional funding.

- The Transfer Payment Accountability directive requires ministries to establish risk criteria to assess the ability of service providers to meet service-delivery objectives. To this end, the Ministry has developed a risk-assessment questionnaire to be completed by the service providers. The Ministry uses the agencies' self-assessments to determine the overall risk level. Of the agencies that completed assessments in the 2011/12 fiscal year, other than those providing custodial services, almost all assessed themselves as low risk, yet most did not meet their service-level targets for more than 50% of services and programs they were contracted to provide.
- A report issued by the U.S. Center for Juvenile Justice Reform in December 2010 states that rehabilitative programs, if implemented well, can reduce recidivism substantially. However, there was no documented evidence that the Ministry or the service providers assessed the effectiveness or quality of the programs and services offered. The Ministry performs only limited analysis on service providers. On an annual basis, the Ministry compares service-level targets with the actual number of youths served. We were told that regional program staff conduct informal evaluations with input from probation officers. Furthermore, aside from visits to custody/detention facilities, there was no evidence of site visits by Ministry staff to community-based services and programs. In accordance with its contract, the service provider outlines how it will evaluate each program it offers. We inquired whether the Ministry followed up with agencies to review the nature and results of evaluation. Program supervisory staff at each of the three regional offices we visited told us that they do not routinely ask for evidence of evaluations done. One region informed us that only one agency submitted an annual quality assurance report that detailed the evaluation it undertook, but even in this case, the agency had not performed the detailed analysis it had committed to in its contract.

RECOMMENDATION 5

To ensure that funding provided to transfer-payment agencies is commensurate with the value of services provided, the Ministry of Children and Youth Services should:

- ensure that approved funding to agencies is appropriate for the expected level of service, based on levels of service achieved in the last few years;
- compare and analyze agency costs of similar programs across the province, and investigate significant variances that seem unjustified; and
- ensure that requests for additional funding are adequately supported.

MINISTRY RESPONSE

The Ministry agrees that its transfer-payment partners in service delivery should demonstrate value for services provided. The Ministry will conduct a review of Youth Justice Services targets, youths served and related costs over a three-year period to assess whether funding is appropriate and will make adjustments where warranted. In addition, the Ministry will conduct a jurisdictional scan of comparable Youth Justice Services providers to compare the reasonableness of the Ministry's transfer-payment costs.

Starting with the 2013/14 budget year, the Ministry will review agencies' budget packages and expenditure reports to investigate any significant variances that seem unjustified, and make adjustments where appropriate.

The Ministry will remind all staff of the obligation to provide clear documentation that supports approvals for changes in funding. As well, the Ministry will modify the reconciliation process to require confirmation of sufficient appropriate documentation for changes in funding.

Ministry Oversight of Custody/Detention Facilities

Regional offices inspect all custody/detention facilities annually to ensure they comply with the *Child and Family Services Act* (Act) and the Ministry's Youth Justice Manual prior to renewing their licence to operate. The Act sets out the minimum acceptable standards for the provision of residential care to children, and the Ministry's justice manual includes additional ministry expectations as well as requirements under the federal *Youth Criminal Justice Act* relating specifically to youths in custody/detention facilities. We reviewed the licensing process and noted that annual inspections were being done. However, we noted the following with respect to the annual inspection process:

- For each facility's annual inspection, Ministry inspectors are required to complete approximately 200 pages of a checklist. They complete another 200 pages of the checklist every four years as part of a more in-depth review of facilities' policies and procedures. Although thorough, the checklist is often repetitive and has not been written in a way that helps inspectors focus on systemic issues to gain an overall understanding of how well the facility operates. We found that the checklist places little emphasis on the quality of the programming and services being offered to youths to reduce recidivism, and places more emphasis on health and safety standards.
- There is no distinction in the severity of non-compliance issues identified during the inspection process. As a result, it was difficult to determine whether the decision to issue or review a licence was appropriate. All inspection files we reviewed indicated numerous items of non-compliance with both the Act and the manual, but no facility operator had its licence suspended or revoked. One licence was issued provisionally in December 2011 due to violations of the Fire Code. The Ministry indicated that it prefers to work with facilities to make the necessary improvements.
- We found inconsistency in the quality of inspection reports communicated to facility operators. Some reports quoted verbatim the sections of the Act or manual that were not met, whereas other reports described with more precision which aspect of a requirement was not being met and often noted the particular staff or resident records where the violations were identified. While two regions made more specific recommendations for corrective action, the other region's recommendations were too general to be useful; for example, it typically recommended just that the facility implement policies and ensure that all staff were familiar with them.
- We found no evidence that non-compliance items were being addressed on a timely basis. One regional office we visited confirmed that it doesn't follow up on corrective action until the next licence-review process, while the other two said they followed up soon after. However, we generally found no evidence on file to show that the Ministry revisited the facilities or obtained verification that the agencies running them implemented its recommendations. The regions considered the non-compliance to have been addressed by the agency if the agency provided a response or a work plan. For a sample of facilities we selected for licensing-file review, one-third of facilities had had five or more of the same violations in the previous year.

- The method of data collection and recording makes it nearly impossible for the Ministry to analyze province-wide inspection data to identify and address trends of non-compliance or even to monitor a facility's performance from one year to the next. For instance, two regions entered results into the system for each section of the checklist reviewed and for each sample tested, while the third region aggregated responses from the samples tested and entered one set of results into the system for each section of the checklist.
- People working in custody/detention facilities are required to get Canadian Police Information Centre (CPIC) clearance, including vulnerable-sector screening, when they are first hired. There is no further requirement for them to have another CPIC check. We noted that almost 40% of employees working in agency-operated facilities in two of the regions we visited were hired at least five years ago, and more than 20% were hired at least 10 years ago. It is not uncommon for public-sector organizations requiring CPIC checks on hiring to require updates every five years or so.

RECOMMENDATION 6

To ensure that the annual facility inspection and licensing process results in a safe and secure living environment with effective services and programs for youth residents, the Ministry of Children and Youth Services should:

- revise the inspection checklist to eliminate duplication and place more emphasis on the quality of programming and services being offered;
- work toward obtaining more consistency in data collection and recording and in reporting inspection findings;
- where significant compliance issues are noted, ensure that appropriate and timely follow-up is done; and
- consider requiring that people working in youth custody/detention facilities undergo a Canadian Police Information Centre check, including vulnerable-sector screening, every five years and not only at the time of initial hiring.

MINISTRY RESPONSE

In 2011, the Ministry completed a review of the licensing checklist and reduced it by more than 60%, from approximately 1,500 lines to about 500. The revised checklist is to be rolled out in fall 2012. In addition to the licensing-review process, the Ministry will be using other means to review the quality of services. For example, as part of its Data Strategy, in 2012/13 the Ministry will initiate a review of all the Youth Justice Services description schedules, which define service expectations and form part of the transfer-payment agency's contract. Furthermore, a framework for program evaluation is under development to determine whether the various programs adhere to the intended design elements that reflect the "What Works" literature for evidence-based programming that is responsive to the needs of youth.

As a result of the review of the licensing checklist, the Ministry is now requiring full use of the automated licensing checklist for its Youth Justice licensing activities. In addition, the Ministry is building a software application that will allow division-wide monitoring and tracking of trends and identification of where corrective action is warranted. As well, in April 2012, the Youth Justice Services Division approved a Data Management Framework that will result in more consistency in all data activities for the Division.

In September 2012, the Ministry provided training to managers and licensing staff to ensure a clear understanding of legislative and ministry requirements in regard to the licensing reviews. These requirements include response to non-compliance and the legislative support for the Ministry to provide a period of time for the agency to meet all requirements. The software application being developed will allow the Ministry to monitor the timeliness and effectiveness of follow-up work done.

The Ministry will review best practices and consider requiring more frequent Canadian Police Information Centre checks and vulnerable-sector screening for people working with youths in custody/detention facilities. Currently, the Ministry's Code of Conduct for Youth Justice Services requires staff to report any changes to their original security checks.

PERFORMANCE MEASUREMENT AND REPORTING

The Ministry has stated that it intends to improve outcomes for youths through programs and services that are responsive to the risks, needs and strengths of youths. Its Youth Justice Services Program has a number of important objectives:

- reducing reoffending;
- preventing youth crime;
- increasing community safety; and
- holding youths accountable and creating opportunities for at-risk youths through rehabilitative programming.

However, the Ministry has only one performance measure for the program—the number of youths who reoffend as a percentage of all youths tracked, also referred to as recidivism. The target recidivism rate changes every year, and is equal to the actual rate achieved in the prior year. Recidivism rates reported by the Ministry have been relatively stable over the past five years for youths with community-based sentences and have gotten slightly better for youths with custody sentences. For the 2010/11 fiscal year, the recidivism rate was 35% for youths with community-based sentences, and 59% for youths with custody sentences. We noted that two other Canadian provinces track youth recidivism rates, but neither has published results for comparison.

The Ministry defines recidivism as a return to provincial youth justice supervision or adult correctional supervision, within two years, on a new conviction that occurs following the completion of a youth community disposition (that is, a probation order only) or following the completion of a youth custody order of six months or more. In simpler terms, only youths who have been found guilty through the court process and have served a sentence longer than six months are tracked for recidivism.

Although we agree that recidivism is an important performance measure, and the definition is similar to that used for adults by the Ministry of Community Safety and Correctional Services, the Ministry does not actually track recidivism for more than 80% of the youths who have come into contact with the Youth Justice Services program. Groups excluded from the calculation for the 2010/11 fiscal year are all youths held in detention prior to trial, all youths diverted from court through extrajudicial sanctions, more than 90% of youths sentenced to custody and approximately two-thirds of youths sentenced to community supervision. The Ministry informed us that it excludes these groups because studies indicate the Ministry cannot influence a person's behaviour in less than six months.

We believe that maintaining data on the reoffend rates for the 80% of youths not being tracked would still prove useful. For example, based on the extrajudicial files we sampled in our case-file review, we noted that one-quarter of youths serving extrajudicial sanctions had been in a diversion program previously. Some indication of the effectiveness of the diversion program can be obtained by analyzing the number of youths in the program who reoffended and received either extrajudicial sanctions again or a court-ordered sentence.

Our other observations regarding performance measurement and reporting included the following:

- The Ministry does not track the programs or services attended by each youth in its care. As a result, it cannot correlate youths who do not reoffend to the specific programs or services they received, which might indicate the effectiveness of the programs and services over time. This might also provide some indication of the effectiveness of the 200 transfer-payment agencies that provide such services.
- The Ministry does not monitor the rate of compliance with court orders, which may be used in assessing whether the program is meeting its objective of holding youths accountable.

At the time of our audit, the Ministry was in the process of developing additional outcome-based performance measures through an evaluation of current data to identify what additional data would be needed to measure more than just recidivism.

In addition, in 2010, the Ministry began a pilot program of exit surveys for youths upon their release from custody/detention facilities in two of the regions we visited. The surveys request feedback from youths on programming, safety, basic needs such as food and clothing, case management and reintegration planning, and overall experience at the facility. In the region we didn't visit, the Ministry informed us that it also began a pilot program of exit interviews with parents and youths upon completion of their probation period to collect feedback about their probation service experience. In discussing this good initiative with the Ministry, we were informed that the Ministry hopes to implement both types of exit surveys on a province-wide basis next year.

RECOMMENDATION 7

To enable it to evaluate and report on the effectiveness of the Youth Justice Services program, the Ministry of Children and Youth Services should expand the measure for recidivism so that it captures most of the youths in the program to better enable it to assess which services, programs and delivery agencies seem to be the most successful over time.

MINISTRY RESPONSE

The Ministry agrees that not all youths are captured in its measure for recidivism. The Ministry will work with partners, including the research community, to review options for reporting on expanded measures for recidivism, since currently there is no consistent, national definition of youth justice recidivism.

As part of its Data Strategy, the Ministry has developed additional Youth Justice outcome measures that are broader than recidivism and provide a fuller understanding of the impact that programs and services have on all youths. Tools to track and report on these outcomes are under development.

Chapter 4

Follow-up on 2010 Value-for-money Audits

It is our practice to make specific recommendations in our value-for-money audit reports and ask ministries, agencies of the Crown and organizations in the broader public sector to provide a written response to each recommendation, which we include when we publish these audit reports in Chapter 3 of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken by management with respect to our recommendations.

Chapter 4 provides some background on the value-for-money audits reported on in Chapter 3 of our *2010 Annual Report* and describes the status of action that has been taken to address our recommendations since that time as reported by management.

For a number of these audits, hearings were also held and reports issued by the Standing Committee on Public Accounts (Committee). Where a hearing was held, we have included a summary of the Committee's recommendations in the applicable section of this chapter. Our objective in providing this additional reporting is to help ensure that action is being taken by audited entities to address the issues that the Committee raised during the hearing and in any subsequent report to the Legislature. Chapter 6 describes the Committee's activities more fully.

We are pleased to be able to report that for close to 90% of the recommendations we made in 2010, progress is being made toward implementing our recommendations, with substantial progress reported for more than 40% of them.

Our follow-up work consists primarily of inquiries and discussions with management and review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted with this work. This is not an audit, and accordingly, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The corrective actions taken or planned will be more fully examined and reported on in future audits and may impact our assessment of when future audits should be considered.

Chapter 4 Section 4.01

Alcohol and Gaming Commission of Ontario

Casino Gaming Regulation

Follow-up to VFM Section 3.01, *2010 Annual Report*

Background

Casino gaming in Ontario is primarily overseen by two Crown agencies, which have different responsibilities and an arm's-length relationship to each other:

- The Alcohol and Gaming Commission of Ontario (Commission) is the "regulator," with a mandate to regulate, license and inspect gaming facilities, and to enforce gaming legislation.
- The Ontario Lottery and Gaming Corporation (OLG), as the "operator," builds, manages and operates, either directly or with private-sector partners, Ontario's 24 casinos and slot machine facilities at horse racetracks (27 casinos and slot machine facilities in the 2009/10 fiscal year).

OLG directly operates 19 gaming venues, including 14 at racetracks that have only slot machines and five casinos with both table games and slot machines (at the time of our 2010 audit, it directly operated 22 gaming venues, including 17 slot facilities and five casinos). It also contracts private-sector operators to run day-to-day operations at one smaller casino and four large "resort casinos," which offer more gaming options, higher wagering limits and amenities such as hotels, entertainment, and meeting and convention space.

In the 2011/12 fiscal year, OLG casino gaming operations generated more than $3.3 billion in revenues ($3.4 billion at the time of our audit in 2009/10) and incurred $2.6 billion in operating costs ($2.5 billion in 2009/10), for a net profit of $700 million for the province ($900 million in 2009/10). More than 85% of all revenues are generated by slot machines.

The general public expects casinos and slot facilities to be run fairly and honestly. Casino and slot facility customers expect slot machines to actually pay out the regulated minimums; those who play table games, such as blackjack or craps, want assurance that casino employees are honest and properly supervised, and that the games are run fairly.

In our *2010 Annual Report*, we concluded that the Commission had adequate systems, policies and procedures in place to meet these expectations. The Commission's gaming equipment test lab and gaming enforcement procedures were adequate to ensure the fair operation of gaming equipment, a conclusion confirmed by an independent accredited gaming test lab that we hired. Our research into other jurisdictions, and advice from external experts, also indicated that Ontario's regulatory framework for casinos offers one of the stronger oversight mechanisms in North America.

However, we also noted in our 2010 audit several areas where the Commission's oversight procedures and gaming transparency could be enhanced, as follows:

- Slot machine patrons are very interested in the actual payout ratio and in whether these payout percentages vary depending on the machine type and denomination (for example, a one-dollar or a penny machine). Some U.S. jurisdictions such as Nevada provide this information, but Ontario did not.
- We noted that patrons would find it difficult to locate information on the maximum prize payout on certain slot machines—an important disclosure should the machine malfunction and erroneously award a multi-million-dollar jackpot, as occurred twice in the two years prior to our audit. In addition, the Commission did not require casinos to post the odds of winning a jackpot on slot machines.
- In the 2008/09 fiscal year, commission inspectors at three of four gaming facilities could not meet their goal of inspecting every slot machine once a year. In addition, the Commission's gaming audit and compliance inspectors were behind schedule in verifying that gaming facilities complied with approval requirements and their own internal control manuals.
- In determining registration eligibility for suppliers and gaming employees, the Commission had no policy for dealing with conflicts of interest involving related employees working in the same casino. It relied, instead, on casino and slot facility operators to deal with these situations.

In a related issue, estimates in the 2009/10 fiscal year were that Ontario residents spent about $400 million annually on foreign-based Internet gaming websites. Foreign gaming operators do not share their revenues with the province, and the Commission has no mandate to regulate Internet gaming. To help address this, British Columbia and Quebec now offer Internet gaming, and, at the time of our 2010 audit, OLG indicated that it planned to introduce Internet gaming in 2012.

We made a number of recommendations for improvement and received commitments from the Commission that it would take action to address our concerns.

Status of Actions Taken on Recommendations

At the time of our follow-up, the Commission had taken action on several of the recommendations we made in 2010; however, others are taking more time to implement. The Commission is in the process of implementing a new approach to regulating gaming that aims to target higher-risk areas and to set standards while increasing operational flexibility for gaming operators by allowing them to develop their own control activities and business processes. The Commission has completed a series of risk assessments related to casino gaming facilities and expects to begin introducing new standards and requirements by 2013. As a result of the Commission's development of a new regulatory approach, which is an ongoing and evolving process, a few of our recommendations have yet to be substantially addressed.

The current status of action taken on each of our recommendations is as follows.

CONTROLS OVER GAMES

Recommendation 1

To provide more useful information to slot machine patrons and better communicate its role in ensuring the integrity of gaming in Ontario, the Alcohol and Gaming Commission of Ontario (Commission) should:

- *make public the minimum 85% slot machine payout percentage, a range of actual payouts, and the Commission's role in overseeing this, similar to the public disclosures made in Nevada and New Jersey; and*

- *review its standards and approval processes for new and existing slot machines to ensure that the maximum prize payouts and odds of winning are clearly disclosed or readily obtainable on each machine.*

To enhance its already strong controls over electronic gaming equipment, the Commission should:

- *assess the reasons for its Electronic Gaming Branch not meeting its goal of inspecting all slot machines annually and, using a risk-based approach, assess the implications of this but also the need for an annual 100% inspection practice; and*
- *regularly audit its inventory controls over security seals intended to prevent tampering with electronic gaming equipment to ensure that proper accounting is in place and that unaccounted-for seals are immediately detected and investigated.*

In addition, to ensure consideration of key risk factors relating to table games, the Commission should reassess its approval requirements for surveillance plans, including minimum surveillance staff levels at gaming facilities. To ensure that gaming operators' staff who work in key risk areas, such as table game dealers and surveillance staff, have sufficient training, the Commission should consider whether it should require casino staff to meet predefined standards of training and competency.

Status

The Commission advised us at the time of our follow-up that it was still reviewing current policies on casino gaming facilities. It also said that the new standards and requirements that casino operators must meet would begin being implemented in 2013, although a date for establishing a standard for communicating maximum prize payouts and odds of winning to slot players had not been set. In the meantime, information on the minimum 85% expected payout percentage is now currently available to the public on the Commission and OLG websites.

The Commission also developed risk-evaluation criteria for identifying slot machines that require inspection. We were advised that the Commission does not have a policy to physically inspect 100% of the devices annually. Instead, using the risk-based approach, it carries out targeted inspections of machines identified as high priority. These include new machines, those that have been converted or changed in any way that might affect the integrity of the game, and those being removed from service. In addition, the Commission conducts risk-based random inspections on installed gaming equipment. We were informed that the Commission is up to date on its risk-based inspections of gaming equipment.

The Commission has also updated its control procedures over security seals to include new procedures at every gaming facility. At the end of each month, an electronic gaming inspector physically counts all unused seals, and a regional manager reviews a report that identifies all currently applied seals and highlights any suspicious numbers for further investigation. In addition, the Commission updated the Slot History System database in July 2011 to keep a historical record of all seals entered into the system so as to be able to reconcile them. We visited one slot facility and found that new inventory controls over seals were in place as required.

The Commission has initiated a number of pilot projects in the development of the standards-based approach to gaming regulation, including a regulatory review of surveillance plan requirements. While the standards and requirements being developed do not specifically address surveillance staffing levels or casino staff training and competency, the Commission did change existing requirements so that performance reporting of employees now includes their adherence to required procedures. We were also informed that risks related to the competency of table game dealers have been identified, with further relevant standards and requirements to be developed as part of the Commission's review of policies over gaming facilities taking place at the time of our follow-up.

GAMING AUDIT AND COMPLIANCE

Recommendation 2

Given that Ontario's gaming industry is mature and there is a high level of gaming facility compliance with its regulatory requirements, the Alcohol and Gaming Commission of Ontario (Commission) should develop comprehensive control-risk frameworks that would allow gaming facilities to be assessed individually for risk. Such a framework would allow the Commission to cost-effectively focus more of its regulatory oversight on higher-risk facilities and less on lower-risk ones and yet still achieve a prudent level of oversight. In developing these frameworks, the Commission should also assess the reasons for and the potential impact of its audit and compliance staff not achieving the targeted number of audits and inspections of gaming facilities.

Status

The Commission has implemented a three-phase risk-based approach for conducting audits of gaming facilities.

First, it developed an industry-wide risk assessment in November 2009 for all gaming sites, leading to the creation of a risk profile for each individual site. Based on the risk profiles, more frequent audit cycles were established for higher-risk sites. We were informed that the risk profiles are also updated on a quarterly basis using the latest available information.

Second, various operations within a specific gaming site with a greater risk of non-compliance were identified to allow the Commission to focus its resources not only on sites determined to be higher risk, but more specifically on the internal operations, such as surveillance, table games, and cashiering, of each site deemed to be higher risk.

The Commission informed us that in June 2012, it implemented the third phase of the updated audit approach, which involves determining the key controls to be selected for testing. In light of the government's 2012 Budget, which announced the government's intention to explore the further privatization of OLG casino facility operations, the Commission advised us it would take new operators into account in developing its new risk-based audit approach, with implementation planned for 2013.

In addition, the Commission has been developing an integrated audit model in conjunction with OLG's internal auditors to enhance audit efficiency and effectiveness and to minimize overlap of the overall audit function between the two agencies. We were informed that, because of shifting government and OLG priorities, the time frame for completion of this integrated model had not been finalized.

GAMING SUPPLIER AND EMPLOYEE REGISTRATION

Recommendation 3

To ensure that registration and renewal processes meet adequate standards for timely completion and consistent quality, the Alcohol and Gaming Commission of Ontario should:

- *complete its risk-based assessment for streamlining procedures, and establish benchmarks and management tracking reports for registration and renewal processing times; and*
- *establish a policy defining what could constitute potential conflict-of-interest situations involving gaming assistants and what situations could prove problematic.*

Status

The Commission implemented a new three-stage risk-based process in September 2011 to streamline the registration and renewals process for gaming suppliers and employees. The first stage establishes basic eligibility and determines whether further investigation is required using a scorecard to assess risk. If an applicant's level of risk is scored high, the Investigations and Enforcement Branch conducts a more rigorous inquiry, collecting more in-depth information through interviews and/or a full background review. The final stage involves a decision about whether to issue the registration or renewal. We were informed that the Commission will undertake a comprehensive assessment of the new streamlined process after it has been in place for one year.

The Commission also developed the Casino Gaming Performance Measures Dashboard as a performance management tracking and benchmarking tool. The Dashboard is used to report on the overall performance of the Commission against key indicators, including registration and renewal processing times. Benchmarks for the performance indicators have been established, and when targets are not met, management investigates the causes and makes operational adjustments as required. In addition, monthly reports using information from the Dashboard—such as the number of licences and registrations issued as well as average turnaround times for processing—are prepared for the Commission's Board of Directors and also distributed to senior management.

The Commission has yet to establish any policies covering potential conflicts of interest involving gaming assistants. We were advised that these standards and requirements are being developed as part of the Commission's overall move toward a standards-based approach to regulation.

SELF-EXCLUSION PROGRAM

Recommendation 4

To ensure that gaming facilities adequately deal with patrons who may have a problem with or an addiction to gambling and those who participate in a self-exclusion program, the Alcohol and Gaming Commission of Ontario should develop minimum standards, policies, and procedures related to self-exclusion for use in Ontario's gaming facilities. It should also implement a process of periodically reviewing gaming facilities' compliance with these requirements.

Status

The Commission advised us that it consulted with key stakeholders regarding various elements of self-exclusion and whether those elements should be included in policies and programs approved by the Board. We were informed that as a result of the consultations and a scan of best practices across various Canadian and foreign jurisdictions, Responsible Gaming Standards are currently being developed that will also address self-exclusion programs. For example, the standards will require gaming operators to offer a voluntary self-exclusion program, terminate the OLG accounts of self-excluded persons, remove them from mailing lists, and withhold all incentives and promotions for OLG products and services during the period of self-exclusion. The Commission expects the new standards to begin being implemented in 2013, although a date for a standard on self-exclusion programs has not been set. In the meantime, we were informed that all sites currently operate a self-exclusion program that is largely consistent with the standards and requirements that will ultimately be put in place.

We were advised that along with the development of standards, self-exclusion programs will be examined on an ongoing basis using appropriate regulatory assurance activities such as audits and inspections.

PERFORMANCE REPORTING

Recommendation 5

In order to provide the public, including gaming facilities' patrons, with meaningful information on its regulatory activities, the Alcohol and Gaming Commission of Ontario should research other gaming jurisdictions' best practices in public reporting, and expand the information published in its annual report and website to ensure that it provides information of use to gaming patrons and to the public with respect to its key regulatory activities and results, as well as performance information that demonstrates the Ontario gaming industry's competitiveness and integrity.

Status

Although no research was undertaken by the Commission on best practices in public reporting in other jurisdictions, the Commission has developed a Casino Gaming Performance Measures Dashboard that it now uses to report on its overall oversight of the industry. Benchmark data from the Dashboard is used in the Commission's annual report, which was expanded in the 2010/11 fiscal year to include information such as the number and results of compliance inspections, testing of electronic gaming equipment and systems, and number and results of occurrences investigated by casino enforcement. We were informed that other key communication vehicles such as the Commission's website will be reviewed to enhance the information that is available to stakeholders.

OTHER MATTER

Internet Gaming

Recommendation 6

Although the Alcohol and Gaming Commission of Ontario (Commission) does not have a mandate to regulate Internet gaming, there are proactive measures the Commission could take to protect the interests of Ontarians in this area until such time as a decision is made as to whether Internet gaming should be regulated. Given the estimated nearly $400 million that Ontarians gamble each year with unregulated foreign Internet gaming operators that do not pay fees or taxes to Ontario, and the recent decision that the Ontario Lottery and Gaming Corporation will offer Internet gaming in 2012, the Commission should:

- *conduct research into regulatory, technological, and oversight best practices used in other jurisdictions over Internet gaming available in their respective jurisdictions;*
- *develop strategies for possible action that can effectively regulate and tax or charge fees on foreign operators doing Internet gaming business in Ontario; and*
- *consider forming alliances with other provinces and the federal government to address Internet gaming, as is currently being done by some other international jurisdictions.*

Status

In November 2011, the Commission conducted a survey of regulatory bodies around the world to assess best practices in regulation, technology and oversight and governance as they relate to Internet gaming. The review identified jurisdictions where knowledge-sharing and collaboration should be explored because their established regulations align with the Commission's own regulatory direction for Internet gaming. The Commission also released a request for proposals for consulting services to develop a regulatory assurance model for Internet gaming. The request closed in June 2011. A resulting contract was executed in September 2011, and work on the model began at that time. As of July 2012, the OLG was in the process of selecting a provider of Internet gaming as a result of its request for proposals completed in February 2012.

We were advised that since the Commission lacks the legal power and mandate to regulate foreign operators who conduct Internet gaming in Ontario, it had not developed strategies or proposals at the time of our follow-up to regulate and tax these operators, or charge them fees.

We were informed that while the Commission has formed no new formal alliances with other provinces to address Internet gaming, the Commission remains in regular contact with other Canadian jurisdictions and regulatory bodies through the Regulatory Review Committee and other organizations such as the Canadian Gaming Regulators Association and the North American Gaming Regulators Association. The Commission also advised us that it is in the process of entering into memorandums of understanding with other internationally based gaming regulators, including those involved in Internet gaming, to share information on applicants and on regulatory processes and standards. For example, the Commission signed a memorandum of understanding in March 2012 with the Gambling Commission in the United Kingdom, which regulates Internet gaming, to allow sharing of information and documentation for eligibility assessments of applicants, licensees or registrants, and for providing joint inspections, investigations, and other compliance and regulatory assurance activities with respect to gaming.

Chapter 4
Section
4.02

Ministry of Health and Long-Term Care

Discharge of Hospital Patients

Follow-up to VFM Section 3.02, *2010 Annual Report*

Background

Ontario hospitals discharged more than 1 million patients in each of the last five years, and about 20% of these patients required post-discharge care, either at home (for example, nursing and personal-care services such as bathing) or in a long-term-care home.

Hospital physicians determine the medically appropriate time to discharge a patient. This determination is important because longer-than-necessary hospital stays carry risks for patient health, including the risk of getting a hospital-acquired infection such as *C. difficile*. As well, hospital care costs more than post-discharge care. Further, patients staying in hospital longer than necessary block access to hospital beds by others requiring hospital care.

As a result, the Ministry of Health and Long-Term Care (Ministry), hospitals and Community Care Access Centres (CCACs) have introduced initiatives to facilitate the discharge of patients from hospital. The CCACs also assess eligibility for, and arrange access to, both home care and long-term-care homes.

In 2010, we conducted work at three hospitals to assess whether they had implemented effective processes for the safe and timely discharge of patients. The three hospitals we visited were the Credit Valley Hospital in Mississauga, now the Credit Valley site of the Credit Valley Hospital and Trillium Health Centre; St. Michael's Hospital in Toronto; and St. Thomas–Elgin General Hospital in St. Thomas.

We concluded that the hospitals were managing their discharge processes well in some areas and were in the process of changing other systems to improve patient flow. However, we noted that processes at all three hospitals could be improved in some areas. For example, we reported at the time that, province-wide, more than 50,000 patients who were ready to be discharged waited in hospital beds because of delays in arranging post-discharge care (also known as waiting for an alternate level of care, or ALC). The total number of days that ALC patients were hospitalized increased by 75% over the previous five years and at the time represented 16% of total patient-days in Ontario hospitals. However, no one, including the Local Health Integration Networks (LHINS), the CCACs or the hospitals, was specifically accountable for ensuring that community-based services, including home care and long-term care, were available when patients were ready to be discharged.

Among our other significant observations:

- Although quick multidisciplinary team meetings on discharge planning activities were held at all three hospitals, physicians attended these meetings at only one hospital, and CCAC representatives attended most meetings at only one other hospital.

- A ministry expert panel recommended that hospital physicians prepare a discharge summary to communicate patient information, such as follow-up appointments, pending test results and medication changes, to subsequent health-care providers. Although discharge summaries were generally prepared, one hospital was consistently very late with them. At all three hospitals, a recommended reconciliation of medications on admission and those on discharge was often not prepared, increasing the risk of subsequent medication errors.
- At the hospitals we visited, less than 10% of total discharges to long-term-care, complex continuing care, and rehabilitation facilities occurred on weekends even though the patient could have been discharged then, because many of these facilities would not accept the patient until the next business day.
- Wait times in hospital for ALC patients varied significantly across the province. For example, 90% of discharged ALC patients in the North West LHIN were placed within 27 days of being designated ALC, compared to 97 days in the North East LHIN.
- There were minimal guidelines on how long it should take from hospital referral to patient placement in a long-term-care home. Of ALC patients waiting province-wide, 90% were placed in long-term-care homes within 128 days, with 50% placed within 30 days.
- At the one CCAC that tracked this data, long-term-care homes rejected between 25% and 33% of applications because patients required too much care or exhibited behavioural problems. Accepted applicants were often just added to a lengthy wait-list. On the other hand, patients often did not want to go to homes with short or no wait-lists because, usually, these facilities were older or far from family.

We made a number of recommendations for improvement and received commitments from the Ministry and the three hospitals that they would take action to address our concerns.

Status of Actions Taken on Recommendations

In the spring and summer of 2012, the Ministry and the three hospitals we visited in 2010 provided us with information on the current status of the recommendations made in our *2010 Annual Report*. According to this information, significant progress has been made in implementing more than half the recommendations. While some progress has been made on all of the others, the extent of progress varies among the hospitals. Fully addressing certain recommendations (by, for example, implementing a standardized process for moving patients from hospital to long-term-care homes) will take more time. The current status of the actions taken by the Ministry and hospitals is summarized after each recommendation.

PLANNING FOR IN-PATIENT DISCHARGE

Recommendation 1

To provide sufficient time for a patient's family and other caregivers to prepare for patients' post-discharge needs, hospitals should ensure that:

- *key discharge information, such as the patient's estimated discharge date and discharge destination, is established and documented for every patient by the time of admission or shortly thereafter, and revised if the patient's condition warrants a change in the discharge date;*
- *quick round-table discussions regarding patients' readiness for discharge are attended by key decision-makers from the multidisciplinary*

team, such as the patient's physician, who is responsible for discharging the patient, and if the patient is going to a long-term-care home or requires home-care services, by a representative of the Community Care Access Centre; and

- *the estimated discharge date and discharge plans are communicated to patients and their families by using visual displays, such as white-boards in patient rooms, as recommended by the Flo Collaborative.*

Status

At the time of our follow-up, two of the hospitals said key information, such as estimated discharge date and destination, is generally established for every patient at the time of admission or shortly thereafter. One of the two indicated it was upgrading its system to make it easier to document the expected discharge date after admission. The third hospital said it was implementing strategies to establish target dates for patient discharge but added that such estimates are complex, as patients are often required to wait for test results and consultations with specialists before the estimated discharge date can be determined.

One of the hospitals said that physicians and CCAC representatives generally attend quick round-table discussions about patients' readiness for discharge. A second indicated that while physicians generally attend or can be consulted during such discussions, CCAC representatives attend meetings only at high-volume in-patient units. The third said CCAC representatives attend discharge discussions twice a week, but attend fewer of the daily quick meetings because of resource constraints. This hospital also launched a pilot project in one unit in May 2012 that was expected to improve attendance by physicians at the daily quick meetings.

Two of the hospitals indicated at the time of our follow-up that in addition to verbal communication by staff, they were using whiteboards in patient rooms to advise patients and their families of the estimated date and plans for discharge. The third said that while physicians verbally communicated the estimated discharge date to their patients, and some units used whiteboards, it expected to have hospital-wide communication of discharge dates, using whiteboards, in place by fall 2012.

ARRANGING POST-DISCHARGE CARE

Arranging for Home-care Services and Equipment

Recommendation 2

To better ensure that any required home-care services are available when eligible patients are ready to be discharged, hospitals, in conjunction with their Community Care Access Centres (CCACs) and Local Health Integration Networks (LHINs), should develop time frames that are standardized within each LHIN that provide adequate advance notice of the date such services will be needed and keep the CCAC apprised of any changes to the required commencement of home-care services.

Status

All three hospitals noted that they had started to take steps to address this recommendation. While all three hospitals indicated that they had not yet implemented standardized time frames within their LHINs to provide advance notice to their CCACs of the date patients would need home-care services, two said their LHINs were developing a consistent discharge process for hospitals within each LHIN.

One hospital indicated that it was using a decision guide developed in conjunction with its CCAC and in use at the time of our 2010 audit. The guide specifies timelines required to establish home-care services and helps ensure that appropriate home-care services are in place prior to a patient's discharge from acute care. This hospital also said that it understood that an electronic Resource Matching and Referral System had been implemented across its LHIN, enabling hospitals to provide advance notice directly to the CCAC of the date patient services will be needed, as well as any subsequent changes in the date or services needed. The hospital further noted that it has been working to increase its community referrals through the Community Navigation and Access Program, which uses a centralized telephone number to connect patients to community support services.

Another hospital noted that implementation of this recommendation depended on other organizations, and that it was working with its CCAC to create new processes, standards and expectations around timely discharge of patients requiring home-care services. The hospital expected that standardized time frames for patient referrals to the CCAC would be implemented over the next year.

The third hospital noted that its CCAC was usually involved with patients soon after admission and therefore was generally aware of the anticipated date of discharge and whether or not home-care services would be required. In May 2012, this hospital also implemented a system to electronically refer patients to its CCAC for assessment. The hospital noted that this system will enable it to better track how much advance notice it is providing the CCAC about patient discharge dates and the home-care services they require.

Arranging for Long-term Care

Recommendation 3

To improve the process for admitting hospitalized patients to a long-term-care home, the Ministry, working in conjunction with the Local Health Integration Networks (LHINs), Community Care Access Centres (CCACs), long-term-care homes, and hospitals, should determine the best approach to placing a patient in a long-term-care home and establish benchmark standards for completing each stage in this process, such as determining patient eligibility, completing applications to long-term-care homes, and the long-term-care homes' processing of patient applications. The Ministry should also consider whether LHINs should be made accountable for monitoring adherence to the target time frames.

Status

At the time of our follow-up, the Ministry said it had begun to review information quarterly on patients waiting in hospital for a long-term-care home and discussing the status with the LHINs. The Ministry observed that these reviews, among other things, promote the development, dissemination and adoption of best practices in hospital discharge and long-term-care home placement. As well, the Ministry noted that the LHINs are in the process of standardizing the referral management process province-wide for moving patients from hospitals to long-term-care homes. The Ministry expected that standardized referral forms would be developed by March 2013. Further, as part of the initiative to standardize the referral process, one LHIN has implemented an electronic Resource Matching and Referral System, which enables the referral and matching of patients to the earliest available appropriate long-term-care home. Another LHIN has implemented a paper-based Resource Matching and Referral System. The Ministry expected the other LHINs would pilot resource matching and referral systems during the 2013/14 fiscal year that were expected to shorten the process for placement into long-term-care homes.

The Ministry planned to collaborate with the LHINs and the CCACs by fall 2012 to identify the steps in the hospital-to-long-term-care home placement process for which benchmarks or guidelines would likely contribute to reductions in the overall time to placement. The Ministry also said that obtaining data from the Resource Matching and Referral System on actual time frames would be the first step in creating benchmark guidelines and standards for completing each stage in the process of placing a hospital patient in a long-term-care home. Once target time frames are in place, the Ministry expected LHINs to be responsible for monitoring the CCACs' performance and reporting periodically to the Ministry.

Two of the hospitals commented that the Home First/Wait at Home program has helped reduce the number of patients waiting in hospital for placement in a long-term-care home. One said it was developing a process to ensure that all options for patients are exhausted before they wait in hospital for a long-term-care bed; the other said that it asks the families of people waiting in hospital for long-term care to choose five homes within five to seven days, and encourages them to select homes that have either an available bed or a short wait-list. This hospital further noted that although the *Long-Term Care Homes Act* requires homes to accept or reject a patient's application within five days, it has found that homes usually do not respond within that time frame.

COMMUNICATING INFORMATION TO SUBSEQUENT HEALTH-CARE PROVIDERS

Recommendation 4

To ensure that medical information essential for the continuity and quality of patient care is communicated in a timely manner to subsequent health-care providers, hospitals should:

- *require discharge summaries to be completed for all patients in accordance with the* Guide to Better Physician Documentation *developed by the Ministry's Physician Documentation Expert Panel;*
- *establish a target time frame, such as a maximum of 10 days, for completing discharge summaries and forwarding them to the patient's family physician or other subsequent health-care providers; and*
- *consider the use of a medication reconciliation template to be completed for each patient detailing any changes between the medications the patient was taking on admission and the medications that the patient will be taking post-discharge.*

Status

The three hospitals said they were completing discharge summaries for all patients. One noted that it had developed a standardized discharge instruction sheet based on best practices and feedback from family physicians in the community and began using it in spring 2012.

Another hospital said at the time of our follow-up that 48% of its discharge summaries were made available to a patient's family physician within 48 hours of the patient's discharge. This hospital's target for the 2012/13 fiscal year was to have 75% of all discharge summaries available within 48 hours. The other two hospitals required completed discharge summaries within 14 days, but one was working toward having them available within a 48-hour deadline.

With respect to a medication reconciliation template, one hospital indicated that its physicians currently complete an electronic discharge summary that includes information and instructions on a patient's previous and new medications. Another hospital expected to have a paper-based medication reconciliation system fully implemented by July 2012. This hospital also planned to implement an electronic medication reconciliation system, but said it was too early to determine the likely timing. The third hospital noted that physicians now complete a medication reconciliation template and that the hospital faxes each patient's new medication regimen to his or her family physician and pharmacy.

The Ministry indicated at the time of our follow-up that about 1,000 physicians had direct electronic access to hospital discharge summaries. Furthermore, eHealth Ontario, in conjunction with the LHINs, was introducing systems province-wide to enable physicians who use provincially certified electronic medical records to directly access hospital discharge summaries by 2015.

HOSPITAL BED AVAILABILITY

Recommendation 5

To help reduce the time admitted hospital patients wait for a bed:

- *hospitals should review the times and days of the week patients are admitted and discharged, and arrange patient discharges to allow sufficient time for beds to be prepared in advance for* *new admissions, especially for patients arriving at known peak admission times; and*

- *larger hospitals should assess the costs and benefits of implementing a bed management system that provides "live" information on the status of hospital beds, including which beds are occupied, awaiting cleaning, and available for the next patient, as well as the reasons for delays in placing admitted patients in available beds.*

Status

At the time of our original audit, one hospital had adjusted the timing of patient discharges to better match admissions, and reviewed the days of the week and times that patients are admitted and discharged. It said it was still discharging about a quarter of its patients before 11 a.m. However, this hospital also noted that various factors affect bed availability, including increases in the number of emergency-department patients and higher demand for specialized services, such as psychiatric and respiratory isolation beds. At the time of our follow-up, another hospital said it had also analyzed admission and discharge data to better understand patterns of patient activity, and had aligned services to meet projected bed demand where possible. The third hospital said it monitors patient discharges before 11 a.m. and before 2 p.m., and has introduced a target of having an emergency patient in a hospital bed within 90 minutes of the decision to admit him or her.

At the time of our follow-up, all three hospitals indicated that they had implemented initiatives to help reduce the time that admitted hospital patients wait for a bed. In this regard, one of the hospitals said its bed management system provides "live" information on the status of hospital beds at all times, including whether empty beds are awaiting cleaning or are available for the next patient. Another hospital indicated that its initiatives included a system that tracks the status of beds from the time one patient leaves a bed until a new one occupies it. The third hospital noted that its electronic bed management system provides some information on the real-time status of beds, but that it must use a separate system to let housekeeping know about beds that need to be cleaned. In this regard, the hospital noted that it had created an action group to focus on reducing the amount of time that beds are vacant.

PATIENTS WAITING IN HOSPITAL FOR POST-DISCHARGE CARE

Recommendation 6

To ensure that patients receive the care they need in the location best for the patient:

- *hospitals, in conjunction with their Local Health Integration Networks (LHINs), should educate all patients and their families on the fact that, for patients whose condition has stabilized and who no longer need acute care (especially older patients), hospitals are not a safe or appropriate place to wait for post-discharge care (for example, because of the risk of getting a hospital-acquired infection such as* C. difficile*);*
- *the Ministry, in conjunction with the LHINs, should assess the costs and benefits of increasing the level of post-discharge services that can commence on weekends to better enable hospitals to safely discharge patients on weekends; and*
- *the Ministry, in conjunction with the LHINs, hospitals, and Community Care Access Centres, should give increased consideration to options such as more appropriate places for patients to safely wait for placement in an alternate-care facility such as a long-term-care home; or increased supportive-housing arrangements to enable patients to continue to live more independently.*

Further, to help hospitals better manage their patients who are waiting for post-discharge care, the Ministry should:

- *further clarify how alternate-level-of-care (ALC) wait times should be measured so that ALC wait times are being consistently reported to the Ministry's Wait Time Strategy; and*

- *publicly report the time ALC patients wait in hospital before being discharged into a community-based setting.*

Status

At the time of our follow-up, two of the hospitals said they had processes to educate patients and their families about the risks of a patient waiting in hospital for other care when the patient's condition has stabilized and he or she no longer requires acute care. The third hospital indicated that while it does not have a standardized process, some hospital staff do discuss this issue with patients.

The Ministry said it commissioned a comprehensive study in May 2011 of the costs and benefits of increasing post-discharge services on weekends to facilitate a higher percentage of weekend discharges from hospitals. The Ministry expects the study to be completed by December 2012 and plans to share it with the LHINs, hospitals and other stakeholders to determine how best to proceed. One hospital observed that weekend discharges continue to be a problem because most long-term-care homes and rehabilitation facilities do not accept weekend admissions, which delays patients' discharge from hospital.

The Ministry noted that while it does not have information on the number of new spaces created for supported housing and assisted living since March 31, 2010, it has supported the creation or expansion of 28 supported-housing and assisted-living services since that time, serving 20% more people than before. The Ministry said it has also implemented initiatives, including new geriatric services and enhanced services for the frail elderly, to help seniors live longer in their own homes. The Ministry also funded an expansion of the Home First program, which provides services that help people wait at home until a bed in a long-term-care home becomes available. All three hospitals supported the Home First program and one commented that while legislation permits patients who must wait in hospital to choose up to five long-term-care homes, it is permissible for them to make only one choice even if the wait time for the home they want is quite long. Two of the hospitals, therefore, encouraged patients waiting in hospital to choose five long-term-care homes, and one of these strongly encouraged these patients to choose at least two homes that either have beds available or have a short wait-list.

The Ministry also indicated that hospitals are provided with ongoing clarification on how alternate-level-of-care (ALC) wait times should be measured so that these times are reported in a consistent way to the Ministry's Wait Time Strategy. At the time of our follow-up, 114 hospitals were submitting ALC data. In addition, the Ministry has made this ALC information available in real time to hospitals, LHINs and CCACs since September 2011.

Given the other initiatives to address ALC wait times, the Ministry noted that public reporting of the time ALC patients wait in hospital was not considered necessary at the time of our follow-up. However, the Ministry said it would monitor the need for public reporting on an ongoing basis.

PERFORMANCE MEASUREMENT

Recommendation 7

To help evaluate the patient discharge process, hospitals should:

- *in conjunction with their Local Health Integration Networks (LHINs) and Community Care Access Centres, develop measures for monitoring and reporting on the effectiveness and safety of hospital processes for discharging patients, and compare results among hospitals to help identify areas for improvement or best practices that can be shared with other hospitals; and*
- *regularly report key discharge performance indicators to senior management and the board of directors.*

As well, to help monitor, on a province-wide and regional basis, unplanned returns to hospital for the same or related conditions, the Ministry, in conjunction with the LHINs, hospitals, and the Canadian Institute for Health Information, should track post-discharge emergency-department visits as well as *readmissions to any hospital that occur within a few days (or otherwise established reasonable time frame) after a patient is discharged from a hospital.*

Status

At the time of our follow-up, all three hospitals indicated that they were monitoring and reporting on certain hospital discharge processes. One said it compares its readmission rates for patients with certain diagnoses to those of other hospitals across Canada. Another said it compares key performance measures, including readmission rates, to peer hospitals in its LHIN. The third said that while it does not perform regular comparisons to other hospitals, its LHIN compares its percentage of patients discharged by 11 a.m. and 2 p.m. each day to the percentages discharged from other hospitals as part of its Pay-for-Results program.

All three hospitals indicated that they were reporting key discharge performance indicators to senior management and their boards of directors; at the time of our 2010 audit, only one hospital was doing this.

The Ministry noted that it does not regularly track emergency-department visits by recently discharged patients for the same or a related condition, although it periodically reviews cases of people who for any reason visit an emergency department within seven days of discharge from the same hospital. The Ministry also tracks unplanned readmissions to the same or different hospitals within 30 days of discharge for all persons in defined age groups with certain medical conditions (for example, people 45 or older with congestive heart failure). The Ministry noted that most unplanned readmissions occur through the emergency department of the same hospital from which the person was discharged. The Ministry also indicated that it meets with the LHINs quarterly to review hospital performance, including readmission rates.

Chapter 4
Section
4.03

Ministry of Community and Social Services

Family Responsibility Office

Follow-up to VFM Section 3.03, *2010 Annual Report*

Background

All court orders for child and spousal support related to divorce or separation proceedings are automatically filed with the Family Responsibility Office (Office), whose job it is to enforce family-support obligations—aggressively if necessary—and remit support payments to their intended recipients on a timely basis.

The Office's clients are among society's most vulnerable; many of those who have their support orders enforced by the Office also collect social assistance, often because their former partners failed to pay spousal or child support.

Enforcing court orders for spousal and child support can be difficult, and while many willingly meet their support obligations, many others go to great lengths to avoid making their required payments. While acknowledging this, our 2010 audit found that the Office was still not successful in achieving its mandate of collecting unpaid child and spousal support payments. We had a similar conclusion the last time we audited this program. We concluded in our *2010 Annual Report* that the Office must take more aggressive enforcement action, enhance its case-management process, and improve its information technology and communications systems. As well, management needed to work to instill a culture of achievement to make the needed changes. Some of our other observations at that time included:

- The Office was slow in following up, where necessary, and in registering completed court orders for family support. Such delays make cases in arrears much more difficult to enforce and can result in undue hardship on recipients awaiting support payments.
- Although the Office assigned responsibility for each case to an individual enforcement services officer, this case-ownership model continued to have significant shortcomings, including that payers and recipients did not have direct access to their assigned officer.
- Call volumes at the Office's toll-free call centre were so high that nearly 80% of calls never got through. Of those that did, one in seven callers hung up before the call was answered.
- The status of almost one-third of outstanding bring-forward notes—intended to trigger specific action on a case within one month—was "open," indicating either that the notes had been read but not acted upon, or that they had not been read at all.
- For ongoing cases, the Office took almost four months from the time the case went into arrears before taking its first enforcement action. For newly registered cases that went straight into arrears, the delay was seven months from the issue of the court order.

- The Office acted in only one in four or one in five cases each year to, for example, take enforcement action, update case information, or track down delinquent payers.
- The Office had no quality control process or effective managerial oversight to assess whether enforcement staff have made reasonable efforts to collect outstanding amounts.
- The Office could not provide us with a detailed listing by individual account that added up to $1.6 billion, which was the figure provided to us as the total outstanding arrears as of December 31, 2009.
- The statistical information supplied monthly to the Ministry of Community and Social Services did not provide a useful summary of the Office's successes and failures in collecting outstanding support payments or in achieving its other key operational objectives.
- Security weaknesses in the Office's information technology system put sensitive personal client information at risk of unauthorized access.
- On a positive note, accounting controls covering payments from support payers and the subsequent disbursement to intended recipients were generally satisfactory, and most support payments received were disbursed to clients within 48 hours of receipt.

We made a number of recommendations for improvement and received commitments from the Office that it would take action to address our concerns.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

The Standing Committee on Public Accounts held a hearing on this audit in March 2011. In May 2011, the Committee tabled a report in the Legislature resulting from this hearing. The report contained 16 recommendations and requested that the Office report back to the Committee with respect to the following:

- the results of its review of a pilot project in which a clerk employed by the Ministry of the Attorney General had been loaned to the Office to process documents passing between certain court districts and the Office and so reduce backlogs, the impact of the project on the Office's enforcement of family-support court orders, and whether the project will be expanded to other Ontario court districts;
- recent monthly statistics on calls to the call centre (calls answered, abandoned and blocked, broken down by local versus 1-800 calls) and the Office's efforts to report them quarterly on its website;
- recent monthly statistics on office staff absenteeism and attendance trends by branch;
- the Office's progress in obtaining suggestions for improvement from MPP constituency office caseworkers;
- the current status of outstanding bring-forward notes (notes requiring follow-up action on a case to be taken within a month's time), the date by which the Office is to finish revising its policies and procedures for the proper use of these notes, and the Office's plan to routinely check and ensure that staff are issuing the notes appropriately;
- how other jurisdictions approach the enforcement of support orders to payers whose financial circumstances have temporarily and/or unexpectedly declined;
- any steps the Office will take to determine whether enforcement officers are taking the most effective and appropriate enforcement actions, including using its new management system technology to proactively flag recommended enforcement actions;
- the Office's progress in negotiating with the Ministry of Health and Long-Term Care to have OHIP provide it with up-to-date payer contact information to help the Office enforce support orders;
- the best option for a caseload management model as determined by the Office's review

of caseload management models in other jurisdictions;
- whether the Office is using its capability of determining at the end of each month if a payer has made his or her support payment, and if it is, whether the Office is sending a letter informing payers who have not paid that they are in arrears and have 15 days to respond or face further enforcement action, and if it is not, its reasons for not doing so;
- the results of the Office's analysis of support payments in arrears, including the amount the Office believes is recoverable and whether other jurisdictions can "write off" amounts deemed unrecoverable;
- highlights of the Office's expected September 2011 report on operational performance measures and its progress on instilling a more results-oriented culture in its workforce;
- whether the implementation of the Office's new case-management system is on schedule for spring 2012 and the timeline for the system's key phases;
- whether the case-management system will be able to search other ministries' databases—within the bounds of privacy laws—for contact information on support payers in arrears; and
- the Office's strategy for training its workforce on each phase of the case-management system and its plans for evaluating whether the system meets its business needs.

The Committee also recommended that the Minister of Community and Social Services request early in the next Parliament that a government motion be introduced to establish a Select Committee under Standing Order 112(a) to undertake a comprehensive and comparative review of the Office.

The Office formally responded to the Committee in September 2011. A number of issues raised by the Committee were similar to our observations. Where the Committee's recommendations are similar to ours, this follow-up includes the recent actions reported by the Office to address the concerns raised by both the Committee and our 2010 audit.

Status of Actions Taken on Recommendations

On the basis of information provided by the Office, we concluded that it had made some progress on all of our recommendations, with significant progress being made on several of them. Significant improvements have been made in registering support obligations and in introducing a case-management client-service model, and further improvements are expected once implementation of the new case-management technology system is completed. Efforts to reduce payments in arrears and suspense account balances and to improve performance measurement are ongoing.

The status of action taken on each of our recommendations was as follows.

REGISTRATION OF SUPPORT OBLIGATIONS FOR ENFORCEMENT

Recommendation 1

To maximize the likelihood of successfully collecting support obligations, and to help minimize hardships for recipients awaiting their support payments, the Family Responsibility Office should:

- *work proactively with family courts in Ontario to encourage them to provide complete and accurate information on a more timely basis so that family-support obligations can be registered and enforced more promptly; and*
- *register and begin to administer new cases requiring no additional information within the Office's internal target of 30 days of receipt of the court order.*

Status

In our *2010 Annual Report* we noted that the Office received court orders, on average, 48 days after they had been issued by the courts, and there were no ongoing initiatives to encourage the courts to forward all support orders or separation agreements in a timely manner. We also found that on average it took an additional 104 days for completed court orders to be registered in the Office's information system.

In its response to our report, the Office indicated that it had initiated direct outreach and was providing quarterly bulletins to the judiciary in an effort to improve the information exchange between the courts and the Office, and that it had refined the process it used for address verification to enable more timely registrations. It also indicated that it was initiating two pilot projects, one to provide courts with real-time electronic access to its database to expedite court decision-making on support arrears, and one to place a dedicated court clerk in its Office to speed up document flow.

The two pilot projects were initiated in September and October 2010, respectively. In the first, a high-volume court was given access to the Office's database in an attempt to expedite judicial decision-making by eliminating the need to adjourn cases until more financial information was obtained. The results were somewhat disappointing, as the Office's database was accessed only seven times by the court over the course of the 22-month pilot. In the second project, a court clerk was accommodated in the Office with ongoing access to the Office's database. The Office informed us that this project was much more successful, with the clerk often being able to process documents in substantially less time because it was no longer necessary to move between the Office and the courts. Many documents that typically took months to process were done within 24 to 48 hours. Although this project was originally planned to last only five months, the Office informed us that it had expanded it to include all main issuing courts in Ontario except the Superior Court of Justice in Toronto and the Ontario Court of Appeal.

In October 2010 the Office began to distribute a quarterly bulletin for the legal community, clients and other stakeholders to improve communication and information exchange with the courts. The bulletins contain details on new Office initiatives of possible interest to the courts; tips on drafting support orders, dealing with licence suspensions and reinstatements, changing domestic contracts, enforcing support outside Ontario and other technical matters; and success stories about helping clients obtain needed support. At the time of our follow-up, six bulletins had been issued.

With respect to registrations, the Office informed us that it had conducted a blitz in January 2012 and successfully eliminated its backlog of case registrations. The Office's latest registration backlog report indicated that although another backlog developed in April and May 2012, it was fully addressed in June 2012. As of August 2012, the Office's backlog was minimal.

The Office also engaged a consulting firm in March 2011 to review its registration processes and help develop new policies and procedures for monitoring and following up on registration issues. The firm made a number of recommendations, and the Office informed us that it had implemented several key ones, including streamlining the routing of court orders, conducting trace-and-locate efforts to ensure the accuracy of client information, and calling new clients to let them know what to expect from the Office's support programs.

CASE-MANAGEMENT MODELS

Recommendation 2

Given the lack of effectiveness of the current case-ownership model in improving the ability of the Family Responsibility Office to collect unpaid support obligations, the Office should examine processes used in other jurisdictions to determine what best practices might be applicable to Ontario.

Status

In our *2010 Annual Report* we concluded that the Office's case-ownership model had not been effective in improving the collection of unpaid support payments, for several reasons. Among these was that Ontario payers and recipients did not have direct access to their assigned enforcement service officer, and that each officer had been assigned on average a very formidable 1,377 cases.

In its response to our 2010 report, the Office indicated that it was moving to a proactive case-management model whereby a dedicated caseworker would be assigned for the life of each client's case and that clients would have easier access to their caseworkers and experience fewer blocked calls.

At the time of our follow-up, the Office informed us that it had completed an inter-jurisdictional survey of best practices to support payment collection in February 2011. Twenty jurisdictions responded to the survey, and information gathered from it was to be assessed as future business improvements were considered. The Office also informed us that it had established electronic payment transmission linkages with the provinces of British Columbia, Newfoundland, Prince Edward Island, Manitoba and Nova Scotia, and was working to set up similar mechanisms with the remaining provinces.

The Office also informed us that it had implemented a new case-management/client-service model in November 2011, which was based on its 2008 pilot project. The new model provides clients with direct access to the officer responsible for their case. The Office reported that it has been able to eliminate its call blockage problem since the model was implemented, and call wait times have been reduced from an average of eight minutes to an average of less than two minutes, while the number of calls handled has increased from approximately 48,000 per month to 80,000 per month.

CALL-CENTRE OPERATIONS

Recommendation 3

Since the call centre remains the primary means by which clients communicate with the Family Responsibility Office, the Office should review its call-centre operations and take the steps necessary to ensure that all calls are answered within a reasonable time. It should also track and report the results of its efforts to improve call-centre operations.

Status

In our *2010 Annual Report* we noted that the Office was not regularly monitoring its call centre and therefore had little information with respect to the number of calls that were not getting through and the nature of the calls. A 2008 study found that 80% of calls were not getting through the Office's queuing system, and one in seven callers who did get through eventually hung up before being answered.

The Office agreed with our recommendations, and in its response to our report it indicated that it had just implemented a new telephone system in June 2010 that provided managers with information to refine the scheduling of call-centre staff and to monitor the number of calls not getting through. The Office also noted in its response that it had developed new customer-service standards that would provide benchmarks to measure progress and future performance.

At the time of our follow-up, the Office informed us that it had implemented new call-centre reporting and monitoring processes in December 2010, which incorporated performance indicators addressing wait-time management, call-taking standards, absenteeism and schedule adherence. It also informed us that it had implemented customer service standards and a feedback process for online clients in January 2011. In February 2011, the Office used its telephone system to collect information on call blockage rates, the analysis of which indicated a correlation between wait times and call blockage rates. The Office reported that it was able to reduce call blockage rates by 50% after this review. However, the implementation of the new case-management model in November 2011 moved the Office away from a call-centre business model and it has since been able to eliminate the problem of blocked calls altogether.

The Office also informed us that it began providing a new customer service training program for its staff in March 2012.

BRING-FORWARD NOTES

Recommendation 4

To help ensure that the Family Responsibility Office deals with such issues as client inquiries and enforcement actions appropriately and on a more timely basis, management should monitor whether enforcement services officers review their bring-forward notes, conduct the necessary follow-up work, and clear up these notes on a timely and appropriate basis.

Status

In our *2010 Annual Report* we noted that there were approximately 91,000 outstanding bring-forward notes awaiting resolution by enforcement officers, and that the number of bring-forward notes for a sample of these officers ranged from 123 to 1,358 per officer. Bring-forward notes are intended to trigger specific action on a case within one month. We also noted that the status of one-third of these notes was "open," meaning they either had not been read or had not been acted upon, and that despite an Office target of addressing bring-forward notes within 30 days, about half of the notes had been outstanding for more than 90 days.

In its response to our report, the Office informed us it would conduct a blitz in the fall of 2010 to address outstanding bring-forward notes, and from that point on staff training and new performance measures would be developed to ensure that bring-forward notes were managed properly and followed up in a timely fashion.

At the time of our follow-up, the Office informed us that it had completed its blitz and had taken action on all outstanding bring-forward notes. It had also introduced a new policy and performance measurement mechanism to monitor and manage bring-forward notes, and all Office staff and managers had been trained on the new policy in June 2011. The Office said that it planned to eliminate the use of bring-forward notes after its new case-management system was implemented, replacing it with a process of system-generated and manually created service requests to streamline the follow-up process.

SUPPORT-ENFORCEMENT ACTION

Recommendation 5

To help it collect arrears more effectively, the Family Responsibility Office should ensure that enforcement staff:

- *initiate enforcement actions for both ongoing and newly registered cases on a more timely basis; and*
- *document why specific enforcement steps were, or were not, taken, and concentrate on those steps that are apt to be more successful in particular circumstances.*

The Office should also establish a quality control process and effective managerial oversight to assess whether reasonable efforts have been made to collect arrears. If it is determined that reasonable efforts have not been made, it should take corrective action.

Locating payers is often the most challenging issue, so the Office should also discuss with the Ministry of Health and Long-Term Care the current restriction on access to payer addresses from the OHIP database.

Status

In our *2010 Annual Report* we noted that approximately two-thirds of all support-payers were either in non-compliance or only in partial compliance with their support obligations and that enforcement actions were often neither timely nor effective. We found that it took on average almost four months after a case went into arrears before officers took their first enforcement action, and seven months for newly registered cases for which no child or spousal payments had ever been made. We also noted long gaps between enforcement actions, ranging from six months to five years (averaging two years) and that only 20% to 25% of the Office's total cases were worked on in any given year.

The Office agreed with our recommendations, and in its response to our 2010 report indicated that it was updating its policies and procedures to make enforcement actions more consistent and effective. It also planned to implement new case-management technology in 2012 to enable more proactive enforcement actions, and was working with the federal government, law enforcement agencies and other provincial ministries to obtain new tools and databases for locating defaulting payers.

At the time of our follow-up, the Office informed us that it had, with the assistance of an external consulting firm, reviewed its processes for default hearings and warrants of committal in 2009 and then implemented changes to both processes to improve quality control and oversight. It further informed us that in November 2010 it had begun discussions with the federal government and law enforcement organizations to gain access to new trace-and-locate tools, such as the Canadian Police Information Centre database. Although this request was eventually denied, in December 2010 the Office of the Registrar General agreed that the Family Responsibility Office could access its database to obtain reports of death registrations and name changes for help with locating clients and verifying deaths.

The Office indicated that it had completed a report profiling its arrears in February 2011, and in April 2011 had initiated a project with the Ministry of Health and Long-Term Care (MOHLTC) aimed at obtaining access to its Registered Persons Database containing the address information of Ontario health-card holders. The Office was granted access to make unlimited manual address-related queries of the database, through a dedicated resource at MOHLTC. In May 2011 the Office was granted further access to the databases of the Municipal Property Assessment Corporation and the Personal Property Security Registry. Finally, in August 2011 the Office's seven trace-and-locate specialists were granted unlimited access to the Registered Persons Database. Office management informed us that this tool has been found to be one of the most useful for locating payers, and has led to a significant improvement in the overall tracing success rate.

CASELOADS

Recommendation 6

To help improve the administration of its enforcement program, the Family Responsibility Office should:

- *establish reasonable criteria and benchmarks setting out what is a manageable caseload, and staff its enforcement activity accordingly; and*
- *regularly monitor and assess the productivity and effectiveness of its enforcement staff, both individually and collectively, in responding to inquiries, taking timely and appropriate enforcement actions, and collecting outstanding support obligations.*

Status

In our *2010 Annual Report*, we noted that enforcement officers were each handling 1,377 cases on average, while enforcement staff in two other large provinces operated with average caseloads of 446 and 312, respectively. We further noted that the Office had never established standards for what a reasonable case load should be, and had no monitoring system in place for management to assess enforcement staff productivity.

In its response to our report, the Office informed us that efforts were underway to establish a new caseload-management model for staff, and that the work would be completed by the end of 2010. In addition, the new case-management system planned to be in place by the end of 2012 was expected to equip staff with better tools, such as automated reminders, and allow management to better monitor the effectiveness of enforcement actions.

At the time of our follow-up, the Office informed us that it had begun tracking productivity measures of enforcement staff in February 2011. These measures included how quickly calls were being answered, the timeliness and appropriateness of enforcement actions and the appropriate use of bring-forward notes.

SUPPORT PAYMENTS IN ARREARS

Recommendation 7

To enable it to concentrate its efforts on those accounts most likely to yield results and to objectively measure the effectiveness over time of its enforcement activities, the Family Responsibility Office needs to obtain better data on support payments in arrears.

Status

In our *2010 Annual Report*, we found that the total amount of support payments in arrears as of December 31, 2009, was approximately $1.6 billion—up 23% since our previous audit in 2003. The Office had minimal information on this balance, and could not provide us with the individual balances that accumulated to that total, or which portion of this balance was deemed uncollectible.

The Office agreed with our recommendation, and in its response to our 2010 report indicated that it had developed a number of performance measures to strengthen its collection function. These measures included the cost of collecting support payments, value of arrears owed, number of enforcement actions by type, and disbursement rates.

At the time of our follow-up, the Ministry of Community and Social Services informed us that it had conducted a cross-jurisdictional scan of arrears best practices in November 2010. After this, in December 2010, the Ministry launched a project to develop the capacity to gather improved data about arrears, client behaviour and enforcement effectiveness. The project had four deliverables: a profile of arrears, an assessment of arrears collectability, an assessment of the effectiveness of the Office's enforcement actions with respect to collection and compliance, and a guideline on how to better target cases to generate support payments. The profile of arrears was completed in February 2011, and in September 2011 the project team developed operational measures related to arrears, including the cost of collecting support payments, the number of enforcement actions by type, and disbursement rates.

The Office further informed us that it had begun updating policies and procedures related to managing and categorizing arrears in March 2012. The Office planned to complete this project in late 2012.

PAYMENT PROCESSING

Recommendation 8

While the Family Responsibility Office is generally successful in processing and getting most support payments to intended recipients on a timely basis, it should strengthen its internal controls by:

- *more diligently following up on and clearing items in the identified, unidentified, and miscellaneous suspense accounts; and*
- *adequately documenting the basis on which funds have been released from suspense accounts, along with evidence of managerial review and approval of the release of such funds.*

The Office should also develop the computerized capability to calculate interest on support payments in arrears.

Status

In our *2010 Annual Report*, we noted that accounting controls over payments received and subsequently disbursed to recipients were generally satisfactory. However, we did find that some support payments were in "suspense" accounts awaiting resolution for various reasons, and that these accounts were not adequately controlled. For example, we found that the Office failed to follow up on or clear almost three-quarters of the items in one such account, totalling $2.9 million, within the required 90 days of receipt, and that the average age of the balances in this account was more than nine months. Another suspense account that held $2.1 million at the time of our audit contained balances with an average age of over three years. A third suspense account found not being properly addressed contained $7.2 million. We also found that the investigations and decisions to release funds from these suspense accounts were often not adequately documented or approved.

In its response to our report, the Office indicated that it had assigned staff resources to follow up on its suspense account balances, and was planning to revise its financial policies to incorporate performance time frames in an effort to get payments to clients more quickly.

At the time of our follow-up, the Office informed us that it had realigned the accounting functions in July 2010 and added several financial staff to enhance the segregation of duties, increase its analytical capacity and better monitor the client support payment process. In October 2010 the Office implemented new procedures for sorting and analyzing suspense account transactions and for documenting the reasons for holding or releasing funds in these accounts. Further, it developed new reports to allow daily monitoring of suspense account balances.

The Office also informed us that it had implemented a user-log policy for bring-forward notes in March 2011, which included expected time frames for action on the notes and for payment processing. In the fall of 2011 the Office initiated a trace-and-locate project for a sample of transactions in the miscellaneous suspense account and was able to close out some of the accounts and release payments to clients. The Office reported that, as of March 2012, it had reduced the suspense accounts by $2.2 million (44%) and the miscellaneous account by $1.4 million (19%) relative to the December 2009 balances.

With respect to interest on support payments in arrears, the Office informed us that it does not have the legislative authority to calculate interest, but that it does pursue interest where a court order includes an interest payment provision, when claimed by the recipient.

PERFORMANCE MEASURES

Recommendation 9

To help assess whether the Family Responsibility Office is meeting its stated objectives, and to help identify in a timely manner those areas needing improvement, the Office needs to define its key operational indicators, establish realistic targets, and measure and report on its success in meeting such targets.

Status

In our *2010 Annual Report*, we concluded that the Office did not have sufficient information to enable it to properly assess its success in meeting its operational objectives, or for identifying areas in need of improvement. We suggested a number of areas where management information would be useful, such as the time required to disburse funds to intended recipients, the timeliness of various enforcement actions and the length of time accounts have been in arrears.

In its response to our report, the Office indicated that it had established a performance measurement framework and was working to develop operational measures for items such as the cost of collecting support payments and the time needed to respond to a changed support order.

At the time of our follow-up, the Office informed us that it had completed several performance measurement projects in 2010. The first was the implementation of an "Executive Dashboard" providing management with an overview of key Office performance indicators and measures showing whether the Office was achieving internal targets in areas such as customer service, operations and financial strength. In November 2010 the Office implemented operational performance measurement at the branch level to provide managers and directors with information to better manage their staff and business processes. In December 2010 it established a protocol for incorporating its performance measures into the new case-management system so that this information would still be available when the system went live.

The Office further informed us that it had recruited a senior manager of program effectiveness and quality assurance in October 2011 to bring greater focus and expertise to the areas of target-setting and performance measurement. In January 2012 the Office finalized a quality assurance framework incorporating the performance measures that had been developed.

The Office indicated that it would continue its work to further define and measure additional program performance indicators in the areas of collectability, enforcement effectiveness and case profiling.

COMPUTER SYSTEMS

Recommendation 10

Pending development and implementation of a new IT system, the Family Responsibility Office should strengthen security requirements and processes for its existing IT operations, including the Maintenance Enforcement Computerized Assistance system, to help better protect sensitive client information.

Status

In our *2010 Annual Report*, we concluded that the Office's main business software was out of date and did not adequately support the administration of the Office, and a project to develop a new computer system had been discontinued after $21 million had been spent on it. At the time of our audit the Office had been developing another new system, with an expected implementation date of April 2012 at a projected cost of $49.4 million.

In response to our report, the Office indicated it had taken steps to mitigate risks related to its legacy systems, including penetration testing on its firewalls and servers and the initiation of a project to investigate enterprise file-transfer processes to improve controls over information exchanges with external organizations. It also affirmed that it was on track to deliver a new case-management solution in 2012.

At the time of our follow-up, the Office informed us that it had established a quarterly password review process to better control and monitor system access, and in December 2010 it had its firewalls and services located in the Kingston data centre tested by OPS Corporate Security. The Office further informed us that it had expanded the use of its electronic file transfer service to securely exchange information with a number of external organizations in March 2011. We were also informed that the new case-management solution is close to completion and is expected to go live late in 2012.

Chapter 4 Section 4.04

Ministry of Health and Long-Term Care

Home Care Services

Follow-up to VFM Section 3.04, *2010 Annual Report*

Background

Community Care Access Centres (CCACs) contract with service providers to provide home care services to Ontarians who, without these services and supports, might need to be admitted to hospitals or long-term-care homes. Home care also assists frail, elderly people and people with disabilities to live as independently as possible in their own homes.

The CCACs assess potential clients for eligibility and approve provision of professional services, such as nursing, physiotherapy and social work, as well as personal support and homemaking services, such as assistance with daily living. CCACs also authorize admissions to long-term-care homes. In the past three years, home care funding has increased 10.5%, from $1.9 billion in the 2009/10 fiscal year to $2.1 billion in the 2011/12 fiscal year. In 2011/12, Ontario provided services to 637,700 clients, compared to about 600,000 clients in the 2009/10 fiscal year—a 6% increase.

There are 14 CCACs in Ontario, each of which reports to one of the province's 14 Local Health Integration Networks (LHINs). The LHINs, in turn, are accountable to the Ministry of Health and Long-Term Care (Ministry).

In 2010, we conducted an audit to assess whether mechanisms were in place to meet home care needs and ensure that services were provided consistently across the province. Our work included visits to three of the 14 CCACs (South East CCAC, Central CCAC and Hamilton Niagara Haldimand Brant CCAC), and we surveyed the other 11 as part of our audit.

We acknowledged in our 2010 audit that the Ministry had recognized that enhancing home care services offers both cost savings and quality-of-life benefits by allowing people to remain in their homes. We also noted that home care funding had increased substantially since our 2004 audit, and independent CCAC client satisfaction surveys indicated that home care clients were generally satisfied with the services they receive.

However, we noted that some of the main concerns identified in our previous audits (in 1998 and 2004) of the home care program still remained. Among our significant findings:

- Per capita home care funding varied widely among the 14 CCACs, resulting in funding inequities. Total funding to CCACs had not been allocated on the basis of specific client needs, or even on a more general basis that takes into account such local needs as population size, age and gender of clients, or rural locations.
- Although ministry policy required CCACs to administer programs in a consistent manner to ensure equitable access no matter where clients lived, as a result of funding constraints, one of the three CCACs we visited had prioritized its services so that only those individuals assessed as high-risk or above

would be eligible for personal support services, such as bathing, changing clothes, and assistance with toileting. Clients assessed as moderate-risk in this CCAC were deemed not eligible, while they would have been eligible to receive home care services in the other two CCACs we visited.
- Eleven of the 14 CCACs have a wait list for various home care services. The other three CCACs said that they had virtually no wait lists at all. This is another indicator of a possibly inequitable distribution of resources among the 14 CCACs.
- In the absence of standard service guidelines, each CCAC developed its own guidelines for frequency and duration of services. As a result, the recommended time allocated for each task and the recommended frequency of visits varied, indicating that the level of service for people with similar needs may vary from one CCAC to another.
- Although CCACs had made progress in implementing a standardized initial client-care assessment tool, these assessments were often not done on a timely basis.
- Only one of the CCACs we visited conducted routine, proactive visits to its service providers to monitor the quality of services delivered.
- CCACs expressed concern with not being able to procure services from external service providers competitively. The Ministry had asked them to suspend the competitive procurement process on three occasions since 2002, and, at the time of our 2010 audit, the process was still suspended. This has contributed to significant differences in rates paid to service providers for similar services.
- The 14 CCACs have made good progress in implementing an updated case management information system to provide useful information to help measure and improve performance.

We made a number of recommendations for improvement and received commitments from the Ministry and the CCACs that they would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information we received from the Ministry and the three CCACs we visited for our 2010 audit work, some progress has been made in addressing all of the recommendations we made in our *2010 Annual Report*. Most will require more time to be substantially implemented. For example, CCACs expect to have new Standards of Care to better manage caseloads by March 31, 2013. As well, efforts to improve the way funding is allocated to CCACs and the way CCACs pay service providers, to better reflect client needs and in accordance with outcomes, are being phased in. The status of the actions taken is summarized following each recommendation.

FUNDING OF HOME CARE SERVICES

Recommendation 1

To help ensure that people with similar needs living in different areas of the province receive similar levels of home care service, the Ministry of Health and Long-Term Care, in conjunction with the LHINs, should allocate funds to CCACs primarily on the basis of assessed needs of each local community, using, for instance, the proposed Health Based Allocation Model.

Status

The Ministry informed us that it is undergoing Health System Funding Reform to move away from global funding and toward patient-based funding. Funding is to be allocated to the CCACs using the Health Based Allocation Model (HBAM), which estimates expected expenses at the CCAC level based on demographic, clinical and financial information. Also, funding for some procedures would be allocated under another component of patient-based funding called quality-based procedures, where health-care providers receive funding for the number of patients they treat for certain types of procedures on a price-by-volume basis, using standard rates for each procedure.

The Ministry informed us that it has modified HBAM to take into account the specific costs of each CCAC and to include the components of the Resident Assessment Instrument – Home Care tool, such as measures of health status, to group CCAC clients. It used the revised HBAM in December 2011 to allocate $27 million in base funding to the LHINs to begin addressing some of the historical funding inequities among the 14 CCACs. It also applied HBAM in the 2012/13 fiscal year to redistribute approximately 10% of CCAC base funding while ensuring that system stability was maintained and access to services preserved. The Ministry also informed us that in the 2012/13 fiscal year it would use HBAM to determine a portion of the new LHIN base-funding allocation for the community sector announced by the government in that year.

The Ministry said that it would continue to work with the CCACs to further refine the funding model for future years. As part of this process, the Ministry plans to increase the portion of CCAC base funding allocated under Health System Funding Reform until CCACs are receiving 70% of their allocations by patient-based funding, by the 2014/15 fiscal year. The Ministry also indicated that it would provide supports to inform and assist CCACs and LHINs with the transition to the new funding approach.

DELIVERY OF HOME CARE SERVICES

Case Management Caseloads

Recommendation 2

To ensure that case managers are deployed optimally and to encourage equitable service levels across the province, the Ministry of Health and Long-Term Care should work with LHINs and the Ontario Association of Community Care Access Centres to establish case manager–client caseload guidelines.

Status

According to the Ministry and the three CCACs, the new Client Care Model under the Integrated Client Care Project (ICCP) is redesigning the way health-care services are provided. The Client Care Model uses a population-based case management approach developed by the Ontario Association of Community Care Access Centres. Clients are categorized into different populations and sub-populations based on factors such as health conditions, degree of independence and risk of acute episodes. The model enables case managers to specialize in specific client populations, co-ordinate client care across the entire health system and monitor the impact of the care provided.

The three CCACs informed us that, also as part of ICCP, they are working to implement Standards of Care, case manager–client caseload guidelines outlining the role and expectations for client services staff by client population and sub-population. The three CCACs informed us that all 14 CCACs were categorizing clients according to consistent definitions of populations and sub-populations to enable caseload realignment among case managers. The standards in place at the time of this follow-up had been approved in July 2011 by all CCACs. They are to evolve as future sub-populations are identified and as implementation occurs. CCACs anticipated complete implementation of the standards by March 31, 2013.

At the time of our follow-up, the Client Care Model was being applied to four areas of care: individuals requiring wound care; individuals requiring palliative care; frail seniors; and medically fragile children. The model focuses on high costs and/or volumes and the potential to improve care and either reduce the cost of care or increase the amount of care provided for the same cost.

The Ministry informed us that it was testing a new wound care model using outcome-based pathways and outcome-based payments at four CCACs, with a goal to apply the new model at all CCACs and for all types of wounds. Five palliative care testing sites have also been launched, and the CCACs are to begin initial research for outcome-based care pathways for frail seniors and medically fragile children in April 2013. Participating CCACs and service providers are expected to be identified at that time.

According to the Ministry, all work completed as part of the ICCP is being assessed by external evaluators to identify the best policy options for health care and health-care funding and incorporate them into the system.

Admission to Services or Wait-lists, Service Levels, Monitoring Home Care Services Provided, Client Reassessment for Continued Services

Recommendation 3

To help ensure that an appropriate and consistent level of service is provided to home care clients, Community Care Access Centres should:

- *monitor case manager adherence to the established timelines for both the initial client assessment and the periodic client reassessments and, where such timelines are not met, ensure that case managers document the reasons in the applicable client files;*
- *enhance external provider oversight to better ensure that the expected and paid-for levels of service are being provided to home care clients; and*
- *regularly review both client complaints and client events to identify any systemic areas requiring further follow-up.*

To promote equitable funding and service levels across the province, the Ministry of Health and Long-Term Care, in partnership with the LHINs, should consider incorporating summary data from the standardized Resident Assessment Instrument to assist in developing a more client-needs-based funding model and to encourage the CCACs to adopt consistent criteria for prioritizing the differing levels of home care services.

Status

According to the three CCACs, work was underway to enhance the Client Health Related Information System (CHRIS) to support compliance with the provincially endorsed Standards of Care at the individual client level. This should also enable better monitoring of client assessments and re-assessments. The improved system will remind case managers when assessments are due by client care model and population type according to the Standards of Care. The enhancements to CHRIS began to go live in October 2012.

The three CCACs indicated that they have been monitoring reassessment standards through various means while they waited for the CHRIS enhancements to be fully implemented. The first CCAC has been conducting manual audits of the files of clients who have been identified as not having had an assessment when planned, to ensure that the reasons for this are valid and documented. The second CCAC has been tracking the frequency at which standards are met at the caseload level and the organizational level to help pinpoint problem areas. The third CCAC's case managers were in the process of setting timelines for the frequency at which reassessments should occur, according to type of client population. It had completed its review of caseload files by July 2012 and expected to adjust the frequency of its reassessments to match the new standards of client care for CCACs by the end of November 2012.

The three CCACs informed us that they have adopted an audit framework for the oversight of contracted service providers. The framework includes a process for risk evaluation to pinpoint areas that provincial audit activity should focus on. In 2011 an audit was conducted at three CCACs on the identification, reporting, management and quality-improvement processes related to missed visits. Audit processes for assessing compliance and quality of services were to be further developed by a provincial Missed Visit Working Group throughout 2012.

According to the three CCACs, the Ontario Association of Community Care Access Centres maintains a province-wide reporting site that captures data that can be used to assess service provider performance. All three CCACs indicated that they regularly review performance data with their service providers and discuss areas where the quality of service could be improved. They also indicated that work was underway to further develop the performance measures to better support the monitoring of client outcomes; their target was to introduce public reporting through Health Quality Ontario at the service provider level by the 2013/14 fiscal year.

All three CCACs informed us that they track complaints and events and monitor these for areas requiring follow-up. The 14 CCACs developed a provincial common events framework to standardize the way in which client complaints and certain key events are tracked and managed across their sectors. The three CCACs informed us that 13 of the CCACs had finished aligning their data capture with the new events framework, and that the remaining CCAC would align its data in the future.

As noted earlier, the Ministry is moving toward patient-based funding and has been working with the CCACs to enhance the Health Based Allocation Model (HBAM), which uses demographic, clinical and financial information to estimate expected expenses at the CCAC level. The Ministry informed us that part of the enhancements to HBAM included incorporating relevant components of the Resident Assessment Instrument – Home Care to allocate funding for long-stay clients. This includes data such as measures of health status, which can be used to group clients and related costs. Also, as noted earlier, CCACs have been working on developing and implementing Standards of Care, which would establish consistent criteria for prioritizing levels of home care services.

Acquisition of Services from Contractors

Recommendation 4

To ensure that home care services are procured from external providers in a cost-effective manner, the Ministry of Health and Long-Term Care should work with LHINs and the Ontario Association of Community Care Access Centres to:

- *formally evaluate the expected cost savings from allowing CCACs to procure home care services on a competitive basis, keeping in mind the potential impact on clients and service levels; and*
- *in the meantime, conduct a review of service-provider rates by type of service across Ontario to determine whether the significant rate variations are warranted in relation to the actual cost of providing the service.*

Status

The Ministry informed us that government direction for CCACs to proceed with competitive procurement was still pending at the time of our follow-up, thus the CCACs had not yet been able to start procuring home care services on a competitive basis. The Ministry also informed us that the CCACs are working with their providers to ensure that the providers are aware of performance expectations, are focused on continuous quality improvement as part of their core business, and have appropriate tools, training and information to support quality delivery.

The Ministry indicated that a key design element of its Integrated Client Care Project (ICCP) was the development of an alternative payment process. Following the new process, payment to contracted home care service providers would be based on their achievement of specific client outcomes using evidence-based, best-practice care pathways. At the time of our follow-up, this alternative payment process was being tested at two wound care sites. First, wound care milestones are identified (for example, a wound must be 30% healed in 30 days), and then payment to the provider is to be based on achieving these milestones. The CCACs noted that the work on the alternative payment process would inform the Ministry's patient-based funding initiative as well as the contracting approach in the future. According to the Ministry, patient-based funding addresses rate variations, as payment is based on what it refers to as evidence-based best-practice care pathways as opposed to units of discrete service.

The Ministry informed us that ICCP has also developed the necessary changes to the electronic information system to accommodate a new type of billing. Instead of units of home care service (volume of service), billing will be done by service bundles tied to client outcomes and established payment amounts. The billing changes were to be rolled out for wound-care populations at half of the CCACs in October 2012, with full implementation to take place by April 2013. According to the Ministry, this billing approach will be applied to palliative care around April 2013 and to other categories of care as the care pathways for them and related payment amounts are determined.

Building on the work conducted under the ICCP, the CCACs launched an initiative in April 2012 referred to as Quality and Value in Home Care. Under this initiative, CCACs are working with service providers and their respective associations to review contract requirements. The reviews are to encompass integration of care; outcome-based methods of reimbursement; service provider performance indicators; contract management that is based on achieving client outcomes; market share allocation; geographic boundaries; and volumes of service.

DATA MANAGEMENT AND ANALYSIS

Recommendation 5

To reap the full benefit of the recent improvements to the case management information system, the Ministry of Health and Long-Term Care, working with the LHINs, should review the summary-level data on a province-wide and regional basis as a means of enhancing its oversight of the home care services currently being provided.

Status

The Ministry informed us that it has conducted annual standard education sessions based on recommendations from the CCAC sector. The last information session, held in March 2012, was to help the Ministry and the CCAC sector to obtain a greater understanding of the issues around data accuracy, consistency and outliers as well as the processes used to address these issues. The Ministry indicated that all 14 CCACs participated in the session.

According to the Ministry, LHIN finance and performance teams are using the CCAC data for comparative purposes and performance monitoring. For example, the financial reviews included utilization or cost comparisons by functional centre and comparative information about how and where each CCAC spent its funds compared to other CCACs.

According to the Ministry, LHINs monitor individual CCAC activity on a monthly and quarterly basis, using dashboards to compare performance to expected results. LHINs also monitor CCAC activity against other CCACs to review and compare performance. Comparisons are made in areas such as case management full-time equivalents; nursing volumes, personal-support volumes and homemaking volumes; therapy volumes and expenditures; and school services utilization.

The three CCACs informed us that they report individually to their LHINs on indicators required under their accountability agreements, as well as any additional indicators that LHINs require individual CCACs to regularly report on, based on the priorities in their geographic area. CCACs also indicated they are also often asked to provide additional, ad hoc reports to LHINs and to the Ministry. Various home care quality indicators for long-stay clients—such as community wait times, cognitive functions and client satisfaction with home care services—are reported through Health Quality Ontario's website.

Chapter 4
Section
4.05

Ministry of Health and Long-Term Care

Hospital Emergency Departments

Follow-up on VFM Section 3.05, *2010 Annual Report*

Background

Hospital emergency departments provide medical treatment for a broad spectrum of illnesses and injuries to patients who arrive either in person or by ambulance. The quality and efficient delivery of patient care in emergency departments depend on a variety of interrelated elements, such as prompt off-loading of ambulance patients, quick and accurate triage (that is, the process of prioritizing patients according to the urgency of their illness or injury), nurse and/or physician assessment, diagnostic and laboratory services, consultations with specialists, and treatment. In the 2011/12 fiscal year, there were about 5.9 million emergency-department visits (5.4 million in 2009/10) in Ontario, at a cost of approximately $1.1 billion ($960 million in 2009/10).

The public suspects that the main underlying causes of what can be lengthy emergency-department wait times are walk-in patients with minor ailments and hospital administrative issues such as understaffed emergency departments. However, our 2010 audit found that lack of available in-patient beds for emergency patients requiring hospitalization may well have had an even greater impact on emergency crowding and wait times. While the Ministry and the hospitals had been actively attempting to address the problem at the time of our audit, emergency-department wait times had not yet shown significant improvement or met provincial targets, especially for patients with more serious conditions. In our *2010 Annual Report*, some of our more significant observations were as follows:

- The Canadian Triage and Acuity Scale (CTAS) guidelines recommend that patients be triaged within 10 to 15 minutes of arrival at the emergency department. Yet at all three hospitals we visited, some patients waited more than an hour to be triaged.
- In about half of the triage files reassessed by nurse educators, the CTAS levels originally assigned by triage nurses were found to be incorrect. Of these, the majority were under-triaged, underestimating the severity of the patients' illnesses or injuries.
- Provincially, only 10% to 15% of the patients with emergent and urgent conditions were seen by physicians within the recommended timelines, and sometimes these patients waited for more than six hours after triage before being seen by nurses or physicians.
- At the three hospitals we visited, the timeliness of accessing specialist consultations and diagnostic services affected emergency-patient flow. More than three-quarters of the

hospitals that responded to our province-wide survey of 40 hospitals indicated that limited hours and types of specialists and diagnostic services available on-site were key barriers to efficient patient flow.

- At the time of our audit, emergency-department patients admitted to in-patient units across the province spent on average about 10 hours waiting for in-patient beds. Some waited 26 hours or more. Delays in transferring patients from emergency departments frequently occurred because empty beds had not been identified or cleaned on a timely basis.
- Two of the three hospitals we visited had difficulty finding staff to fill nursing schedules, especially for night shifts, and on weekends and holidays. A number of emergency-department nurses worked significant amounts of overtime or took extra shifts, leading to additional costs and increasing the risk of burnout.
- Paramedics often had to stay in emergency departments for extended periods of time to care for patients waiting for emergency-department beds or until emergency-department nurses could accept them.
- Province-wide, about half of emergency-department visits were made by patients with less urgent needs who could have been supported by alternatives such as walk-in clinics, family doctors, and urgent-care centres.

We made a number of recommendations for improvement and received commitments from the Ministry and the three hospitals we visited that they would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information provided to us by the Ministry and the hospitals, good progress has been made in implementing most of the recommendations we made in our *2010 Annual Report*. Efforts to identify reasons for excessive wait times and to reduce them have resulted in some improvements in patient flow, and these efforts continue. New legislative requirements have expanded the reporting that hospitals do on the quality of care they provide. However, the hospitals indicated that ensuring that there are sufficient nurses and physicians to adequately staff their emergency departments remains a challenge. The Ministry and the hospitals indicated that it will therefore take additional time to fully address some of our recommendations. The current status of the actions taken on each of our recommendations is as follows.

ONTARIO'S WAIT TIME STRATEGY FOR EMERGENCY DEPARTMENTS

Recommendation 1

To ensure that emergency departments are operating in the most effective way to provide high-quality emergency care as quickly as possible to all patients:

- *hospitals should identify causes of delays in patient flow and examine ways of reducing wait times in emergency departments accordingly;*
- *the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to identify and disseminate best practices from Ontario and other jurisdictions; and*
- *the Ministry should provide funding to hospitals in a timely manner to enable hospitals to have adequate time to implement the funded initiatives cost-effectively.*

Status

All three hospitals we visited informed us that they have taken actions to identify causes of delays in patient flow and examine ways of reducing wait times in emergency departments. One of the hospitals has developed strategies that include promoting the use of its urgent care centre to the community as an alternative to the emergency department and reviewing discharge patterns in the in-patient units. Another hospital has created a Process Improvement Office with a focus on the root-cause analysis of delays. The third hospital has introduced a Medical Assessment and Consultation Unit for rapid assessment, treatment and admission of emergency-department patients.

The Ministry indicated that it has expanded and continued the Pay-for-Results program and the Emergency Department Process Improvement Program (ED PIP) in the 2010/11 and 2011/12 fiscal years. The ED PIP trains staff on best practices and supports hospitals in funding the implementation of best practices and local solutions to improve patient flow and reduce wait times.

- As part of the ED PIP, staff teams across 81 hospitals were trained in the use of Lean methodology (a methodology focused on process speed, efficiency and elimination of waste) and engaged in follow-up activities to improve patient flow in their emergency departments and in-patient units by eliminating duplicative or unnecessary steps. The Ministry told us that it has also developed a comprehensive toolkit and web resources for hospital use that will be maintained by Health Quality Ontario (formerly the Health Quality Council of Ontario).
- The Pay-for-Results program, covering 74 hospitals, continues to have a positive impact on reducing the wait times at emergency departments for patients with minor conditions. Ninety percent of these patients were treated within 4.2 hours, almost achieving the four-hour target, according to the most recent data in June 2012. For patients with complex conditions, in June 2012 the longest that 90% of them could possibly spend in emergency departments was 10.3 hours, an improvement of about 26% as compared to 14 hours in April 2008, but still above the eight-hour target.

In order to ensure that hospitals receive funding to implement the initiatives in a timely manner, the Ministry has created a Transfer Payment Operating and Capital Funding Packages Roadmap to streamline its funding processes and increase operational efficiencies. The Roadmap is an interactive reference document that shows hospitals how to prepare a Transfer Payment Funding Package by providing connections to the necessary templates, documents and information.

TRIAGE PROCESS

Recommendation 2

To ensure that triaging is done appropriately and consistently within the recommended time frame:

- *hospitals should conduct periodic audits to monitor the quality and accuracy of triage and identify areas for improvements;*
- *hospitals should consider performing a quick "pre-triage" on patients who cannot be triaged immediately upon arrival at emergency departments;*
- *the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to assess whether the reported length of stay at emergency departments should include the time that patients wait for triage; and*
- *the Ministry should work with the Emergency Medical Services (EMS) to provide updated training for paramedics to ensure that hospitals and paramedics are using consistent triage practices.*

Status

All three hospitals we visited stated that they have conducted triage audits on a routine basis and received positive results. For example, one hospital informed us that its triage audits have consistently demonstrated a level of completeness and reliability of about 80%, which is a significant improvement over the 44% reported in our 2010 audit. In order to reduce the burden of auditing triage records and to improve the completeness and reliability of triage, one of the hospitals implemented an electronic triage system in February 2012 that includes automated prompts and mandatory fields in triage records. All three hospitals we visited in 2010 have either put "pre-triage" in place or made other improvements in their triage process. For example, one hospital has introduced a process called "walk the line," which requires the triage nurse to walk through the waiting area to take patients at the greatest risk to triage first, and another hospital has renovated the design of its emergency department to ensure that staff can see all patients in the waiting area.

Regarding the time from arrival to triage, the Ministry has obtained advice from Cancer Care Ontario (CCO), which has managed emergency-department data through the National Ambulatory Care Reporting System (NACRS). CCO identified technical limitations in collecting accurate patient arrival times at emergency departments. In August 2011, CCO conducted an analysis and found that monitoring and reducing the time from patient arrival to triage would have a negligible effect on the total length of stay in emergency departments. Therefore, the Ministry will continue to focus on capturing the wait time after triage or registration, whichever is performed first.

To ensure that hospitals and paramedics use consistent triage practices, the Ministry has developed a Pre-hospital Canadian Triage and Acuity Scale (CTAS) Paramedic Guide, which will support paramedics in assigning, communicating and documenting the appropriate CTAS levels. At the time of our follow-up, the Ministry expected that the guide would be released at the end of August 2012 and would be posted on the Ministry's website and distributed to all municipalities (municipalities have the primary responsibility for dispatching land ambulances).

ASSESSMENT AND TREATMENT

Recommendation 3

To ensure that patients receive timely assessment and treatment and an appropriate level of care at emergency departments:

- *hospitals should work with the respective LHINs to develop, document, and implement procedures for monitoring and reassessing the status of patients in the time interval between triage and treatment in accordance with their assigned triage level; and*
- *the Ministry of Health and Long-Term Care should encourage hospitals to track critical quality-of-care measures with respect to the most serious time-sensitive illnesses commonly seen in emergency departments and consider the applicability of protocols or best-practice guidelines for those illnesses on a system-wide basis.*

Status

Regarding the procedures for monitoring the status of patients in the time interval between triage and treatment, only one of the hospitals we visited indicated that it has a reassessment triage nurse in place to reassess patients waiting to be seen on a regular basis and to alert physicians immediately if a patient's status changes. The other two hospitals have relied on staff to follow their existing guidelines in reassessing the condition of patients.

The Ministry indicated that the following actions have been taken subsequent to our audit to ensure that patients receive a timely, high-quality and appropriate level of care at emergency departments:

- Through the *Excellent Care for All Act, 2010,* the Ministry has required every public hospital to establish a Quality of Care Committee that reports on issues related to the hospital's quality of care. All public hospitals are required to submit their annual quality improvement plans to Health Quality Ontario and to make the plans available to the public.
- As part of the Pay-for-Results program, the Ministry has continued to require all hospitals

with 30,000 or more annual emergency-department visits to submit information on quality-of-care indicators regularly to their Quality of Care Committees.

- The Ministry has held regular meetings with the CEO at each LHIN to discuss wait times and quality of care at the hospitals in each LHIN.

CO-ORDINATION WITH OTHER HOSPITAL DEPARTMENTS

Recommendation 4

To better allow hospitals to assess the impact that timely specialist consultation and diagnostic services have on patient care, especially for high-acuity patients, hospitals should track targeted and actual wait times for specialist consultation and diagnostic services for emergency patients, so that the impact of these wait times on providing timely and appropriate patient care can be periodically assessed.

Status

All three hospitals we visited informed us that they have tracked wait times for specialist consultation and diagnostic services for emergency patients. They have also taken actions to reduce wait times. One of the hospitals has increased its ultrasound hours to serve the needs of emergency patients, completed a study to identify areas for improvement and developed a work plan to improve those areas accordingly. Another hospital's emergency department has worked with its diagnostic imaging department to identify waste and redundancies in the process of obtaining diagnostic services. The third hospital has implemented a Model for Specialist Consultation to ensure that high-acuity patients from its emergency department have prompt diagnosis and treatment plans.

According to the Ministry, through the Emergency Room/National Ambulatory Care Reporting System (ER/NACRS) Initiative led by Cancer Care Ontario (CCO), emergency departments have been collecting data relating to specialist consultation since April 2011. Monthly reports have been provided to the Ministry, hospitals and LHINs to assist hospitals in assessing the impact of specialist consultations on the total time patients spent in the emergency departments. As well, the Ministry and CCO are currently evaluating the feasibility of and technical requirements for collecting wait-time data for MRI and CT scans for emergency patients. The Ministry informed us that preliminary data would be available by the summer of 2014.

PATIENT DEPARTURE FROM THE EMERGENCY DEPARTMENT

Recommendation 5

To ensure that vacant in-patient beds are identified, cleaned, and made available on a timely basis to admitted patients waiting in emergency departments:

- *hospitals should have an effective process in place to identify vacant beds and communicate their availability between in-patient units and emergency departments; and*
- *the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to identify and disseminate best practices that enable hospitals to reduce unnecessarily long stays of admitted patients in emergency departments.*

Status

All three hospitals we visited have put processes in place to ensure that vacant beds are being identified on a timely basis and to improve communication of bed availability between in-patient units and emergency departments. One of the hospitals has been able to capture the times at which beds are cleaned. Another hospital has a central bed allocation team to manage an automated system that provides a real-time report to identify vacant beds that are ready to receive patients from the emergency department. The third hospital is in the beginning phase of implementing a new technology that will provide real-time direct communication across the hospital of information including discharges and changeover of beds, and the need for cleaning.

The Ministry informed us that the Emergency Department Process Improvement Program (ED PIP) and the Pay-for-Results program have focused on reducing unnecessarily long stays of admitted patients in emergency departments. Specifically:

- The key focus of the ED PIP is to improve patient flow through engaging housekeepers, nurses and porters to develop a streamlined process and to reduce the overall bed-turnaround time ("bed-empty time"). The Ministry has engaged the Institute for Clinical Evaluative Sciences (ICES) to evaluate the effectiveness of the ED PIP. According to the preliminary results of the evaluation, the hospitals that participated in the ED PIP have improved their emergency-department wait times. The final report is expected in March 2013.
- As part of the Pay-for-Results program, the Ministry has provided 24 emergency departments with dedicated funding of about $26 million in the 2011/12 fiscal year to create and operate 212 short-stay in-patient beds in order to place admitted patients from emergency departments quickly in in-patient units. The results from May 2012 showed that the time patients waited in emergency departments for transfer to in-patient units was 21 hours, a reduction of 11% from the 23.6 hours patients waited in May 2011.

STAFFING

Recommendation 6

To ensure that emergency departments are operating cost-effectively with adequate nurses and physicians:

- *hospitals should deal with chronic overtime by setting targets for reducing overtime costs to acceptable levels and implementing effective measures for achieving these targets; and*
- *the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to conduct studies to assess the requirements, availability, and regional distribution of emergency physicians across the province in order to develop a sustainable human resources strategy that will ultimately eliminate the use of agency physicians.*

Status

Two of the hospitals we visited indicated that overtime has continued to be an issue because recruiting and retaining skilled emergency-department nurses have continued to be a challenge. All three hospitals we visited have implemented some measures to reduce overtime costs. Two of the hospitals have reviewed staff schedules as well as trends of maternity leaves, sick days, vacations and overtime to ensure appropriate staffing patterns and to keep ahead of possible vacancies, thereby reducing the need for overtime. Another hospital has made reducing overtime a corporate goal, and its emergency department has had some success over the past two years in reducing overtime hours as a percentage of total worked hours from 6.6% in the 2008/09 fiscal year to 5.8% in 2010/11. It is also in the process of finalizing a recruitment and retention strategy for implementation in 2012/13.

The Ministry informed us that it has introduced several initiatives to ensure that an adequate number of physicians are available in emergency departments. For example:

- The Ministry offered the Summer Incentive for Designated Emergency Departments in 2011 to provide additional emergency-physician coverage and to keep emergency departments open during the challenging summer months. Up to $2.1 million was provided to help keep 97 emergency departments open during the summer of 2011. The incentive is being continued in 2012.
- The Ministry has provided one-time funding of about $2.5 million over the three fiscal years 2011/12 through 2013/14 for a pilot program, called the Supplemental Emergency Medicine Experience (SEME) program, to provide family physicians with three months

of full-time, remunerated continuing education and training in emergency departments. The University of Toronto has implemented the SEME program to enhance emergency-medicine skills for up to 20 family physicians a year and to improve coverage in small rural emergency departments.

- The Ministry, in collaboration with the Ontario College of Family Physicians, has offered an Emergency Medicine Primer for Family Physicians to reintegrate family physicians into emergency departments. This course has been offered in locations across Ontario as an update course for family physicians who are currently working in an emergency department and as a refresher course for family physicians who have worked in emergency departments before.

IMPACT OF EMERGENCY-DEPARTMENT WAIT TIMES ON AMBULANCE EMERGENCY MEDICAL SERVICES (EMS)

Recommendation 7

To ensure the efficient use of the ambulance Emergency Medical Services (EMS) and to enhance co-ordination between EMS providers and emergency departments, the Ministry of Health and Long-Term Care should:

- *determine whether the recommendation in the 2005 expert panel's report on ambulance effectiveness of a benchmark ambulance offload time of 30 minutes 90% of the time should be accepted as a province-wide target;*
- *work with hospitals, EMS providers, and Cancer Care Ontario to improve the validity and reliability of ambulance offload data and to ensure that such data are standardized, consistent, and comparable; and*
- *work with hospitals and EMS providers to evaluate on a province-wide basis the effectiveness of the Offload Nurse Program in reducing offload delays and improving patient flow within emergency departments.*

Status

The Ministry informed us that the Pay-for-Results program has included a benchmark for ambulance offload time of 30 minutes 90% of the time. The 74 hospitals that have participated in the Pay-for-Results program are required to submit ambulance offload data and to demonstrate their progress toward meeting the 30-minute target.

The current challenge, according to the Ministry, is the lack of a provincial definition of Ambulance Transfer of Care. To address this, the Ministry has been working with the hospitals, EMS and CCO on data collection by using the current National Ambulatory Care Reporting System definition for Ambulance Transfer of Care as a provincial definition for both hospitals and EMS.

The Ministry introduced the Offload Nurse Program in 2008/09 by providing $4.5 million to 14 municipalities experiencing offload delays, creating 42 offload nurse positions. In the 2010/11 fiscal year, the Ministry expanded the program to 16 municipalities and increased the funding to $9.6 million, providing about 191,000 additional nursing hours. In 2011/12, the Ministry further expanded the program to 18 municipalities with total funding of $11.7 million to provide about 225,400 additional nursing hours. According to the evaluation by the Ministry, the municipalities have reported improvements in ambulance offload delays, as the Offload Nurse Program has freed up six fully staffed ambulances per day to respond to new urgent calls in a timely manner.

All three hospitals we visited informed us that they have been working closely with their respective LHINs and other hospitals in monitoring ambulance offload time. They have also compared their results with peer hospitals within their regions and across the province. As well, they have continued to collaborate with the Ministry and the EMS in their regions to evaluate the effectiveness of the Offload Nurse Program in reducing ambulance offload time.

PERFORMANCE MONITORING

Recommendation 8

To ensure that emergency departments are providing high-quality emergency care to all patients, hospitals should:

- *promote a culture of patient safety by using a non-punitive and "lesson-learned" approach to ensure that adverse events are reported and summarized for analysis and corrective actions; and*
- *follow up with patients who have been triaged as having serious medical conditions but who have left emergency departments without being seen by doctors or having completed treatment.*

Status

All three hospitals we visited advised us of actions taken to promote a culture of patient safety. One of the hospitals has a newly implemented Critical Incident Process. Another hospital introduced an automated incident-reporting system called SAFE in June 2010 and has a separate review process for critical incidents. The third hospital has implemented a Good Catch Campaign and an online incident-reporting process.

To protect and promote a culture of quality improvement in hospitals, the Ministry also informed us that the government has made several legislative changes. For example:

- According to the *Excellent Care for All Act, 2010*, all hospitals are required to develop annual quality improvement plans that include critical incident data. Hospital boards are required to ensure that hospital administrators have established a system for analyzing critical incidents and developing plans to avoid or reduce the risk of further similar incidents.
- As of January 1, 2011, Regulation 965 of the *Public Hospitals Act* was amended to ensure that hospital administrators provide aggregated critical incident data to their hospitals' Quality of Care Committees at least two times per year.
- The Ministry issued a directive that as of October 1, 2011, all public hospitals are required to report all critical incidents related to medication and IV fluids through the National System of Incident Reporting (NSIR) within 30 days following the disclosure of the critical incident to the Ministry's Medical Advisory Committee, the hospital administrator and/or the patient.
- The 2011 *Better Tomorrow for Ontario Act* has created an exemption under the *Freedom of Information and Protection of Privacy Act* that would give hospitals the discretion to refuse to disclose records in cases where people providing the information have an expectation of confidentiality. The exemption, effective since January 1, 2012, encourages hospital staff to engage in full, free and frank discussions on quality-of-care issues without fear that their comments will be publicly revealed.

All three hospitals we visited have procedures in place to deal with patients who have left emergency departments without having being seen by doctors or having completed treatment. Two of the hospitals have required their nurses or the manager of the emergency department to follow up by phoning those patients. As well, all three hospitals have shown improvements, with fewer patients leaving their emergency departments without being seen, as a result of the ED PIP and the Pay-for-Results program. One hospital has reduced its percentage of patients who leave without being seen from 4% to 0.4%; another hospital has reduced the percentage from 6.1% to 3%; and the third hospital has reduced the percentage from 5.4% to 0.5%.

ALTERNATIVES TO EMERGENCY-DEPARTMENT SERVICES

Recommendation 9

To ensure that the needs of patients are met appropriately, the Ministry of Health and Long-Term Care should:

- *work with hospitals to conduct further research on the impact of low-acuity patients on emergency services and on what province-wide initiatives can be undertaken to encourage people to seek the right treatment from the right medical provider; and*
- *assess and promote the availability and public awareness of health-care alternatives to emergency departments on a regional basis, including walk-in clinics, urgent care centres, family physicians, and other community-based supports, to optimize the right care in the right environment.*

Status

The Ministry informed us that it has continued its efforts to increase public awareness of alternative services to emergency departments in order to encourage people to seek the right treatment from the right health-service provider. For example:

- In November 2010, the Ministry re-launched the Your Health Care Options website, which includes an online registry for Health Care Connect to help any Ontarian who is without a family doctor to find one, and searchable tools to obtain information on wait times for surgeries and diagnostic services. From May 2011 to August 2011, the Ministry launched a campaign for the Your Health Care Options website through television, radio, online advertising and materials distributed to health-care providers.
- In May 2011, the Ministry deployed 20 kiosks at selected emergency departments to provide users with access to the Your Health Care Options website and a directory where they can search for health-service providers in their community as an alternative to the hospital emergency department. All 20 kiosks were implemented by August 2011, and users had made over 220,000 searches as of April 2012.
- In the 2011/12 fiscal year, the Ministry provided $3.5 million as base funding for 42 full-time nursing positions for the Nurse-Led Outreach Teams (NLOTs), which provide care directly to long-term-care-home residents to avoid unnecessary visits to emergency departments. Supplemental funding of about $1.5 million was provided to support the creation of 30 additional full-time nursing positions to augment existing NLOTs in selected LHINs.

At the time of our follow-up, ministry data showed that these efforts had reduced the volume of low-acuity patients visiting emergency departments as a percentage of total emergency-department visits from 45% in 2009/10 to 41% in 2011/12.

Apart from the Ministry's efforts, all three hospitals we visited have also taken actions. One of the hospitals informed us that it opened an urgent care centre in April 2011 and has worked with its public relations staff to educate the community regarding the appropriate use of the emergency department and the urgent care centre. Two of the hospitals have worked with their stakeholders, including LHINs, peer hospitals and long-term-care homes, to promote the use of alternative services such as out-patient clinics in order to reduce emergency-department visits and hospital admissions.

Chapter 4
Section
4.06

Ministry of Training, Colleges and Universities

Infrastructure Asset Management at Colleges

Follow-up to VFM Section 3.06, *2010 Annual Report*

Background

Over the decade from the 2000/01 to 2009/10 fiscal years, the Ministry of Training, Colleges and Universities (Ministry) provided Ontario's 24 colleges of applied arts and technology with facility renewal funding totalling $13.3 million a year, supplemented by periodic additional allocations for renewals totalling $270 million. The combined annual and additional funding amounted to $403 million over the 10-year period.

In addition to funding facility maintenance, the Ministry also provides capital grants to enhance and expand the colleges' capital needs. In recent years, the Ministry has provided this funding primarily for new facilities space so that colleges can accept more students. In 2009, the federal government initiated the Knowledge Infrastructure Program (KIP), a two-year infrastructure program for Canadian colleges and universities.

The federal and provincial governments together provided capital grants to colleges for new facilities totalling $300.5 million between the 2006/07 and 2009/10 fiscal years to create local short-term employment and increase the number of students that colleges could accommodate. Facilities space includes classrooms, laboratories, cafeterias, offices, libraries, and other such required areas.

Our 2010 audit focused on the adequacy of endeavours by the Ministry and selected colleges to maintain college assets in a good state of repair. Along with our work at the Ministry, we visited the following colleges: Algonquin and La Cité in Ottawa; Confederation in Thunder Bay; and George Brown and Humber in Toronto. We also contacted six other colleges to obtain their input on specific issues and met with various stakeholders, including Colleges Ontario and the Council of Ontario Universities.

Our work indicated that although colleges have benefitted from the new-facility capital funding, ongoing funding for maintenance of existing facilities had not been sufficient to maintain the aging college infrastructure, and the backlog of deferred maintenance was increasing. Some of our more significant observations were:

- The Ministry was in the process of implementing a long-term capital planning process but did not have a formal plan in place at the time of our audit for overseeing the colleges' investment in infrastructure.
- Many colleges had not maintained adequate asset management systems to facilitate effective capital planning and performance reporting on the condition and use of their capital infrastructure.

- As of April 2010, the deferred maintenance backlog—the cost to perform all needed maintenance and repairs—exceeded $500 million and had been increasing annually. More than $70 million in capital repairs were in the critical category and needed to be dealt with in the next year.
- As of April 2010, about half of the college system's infrastructure assets were likely in poor condition when rated according to a recognized industry standard that measures the state of infrastructure.
- Applying the funding guideline of 1.5% to 2.5% of asset replacement cost outlined by the U.S.-based Association of Higher Education Facilities Officers, annual ministry funding to all colleges over the 2006/07–2009/10 fiscal years would have needed to be in the $80 million to $135 million range. However, actual capital renewal funding has remained at $13.3 million annually for many years; even with the periodic additional funding of $270 million, the total barely adds up to half of this guideline amount.
- Administrators at all of the colleges we visited indicated they had to supplement ministry renewal funds with operating funds to help address their most urgent priorities or run the risk of assets deteriorating prematurely.
- Until very recently, ministry funding decisions often lacked transparency and consistent criteria to evaluate funding requests, and there was insufficient documentation to demonstrate compliance with eligibility criteria.

We made a number of recommendations for improvement and received commitments from the Ministry and the colleges that they would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information provided by the Ministry and the five colleges we visited as part of our 2010 audit, some progress has been made on implementing the recommendations from our *2010 Annual Report*, with substantial progress on a few. The Ministry informed us that it has improved its capital-project selection process and is continuing to develop its capital planning process for colleges. In addition, as a prerequisite for infrastructure funding, every college will be required to develop an asset management plan that will outline the condition of its existing assets and the institution's plan for addressing its renewal needs. To this end, the Ministry has initiated projects to create a comprehensive college facility space inventory and establish utilization standards, and complete a system-wide assessment of the condition of college facilities across the province. Establishing space standards and assessing the condition of facilities are key first steps in developing a sustainable long-term asset management plan, including priorities for addressing deferred maintenance. As this work is expected to be completed in two years, deferred maintenance will remain a significant issue in the foreseeable future.

CAPITAL PLANNING

Recommendation 1

To help ensure that capital infrastructure grants are allocated on the basis of clearly identified needs and province-wide priorities, the Ministry of Training, Colleges and Universities needs to continue developing a formal long-term capital planning process using current and reliable information obtained from the colleges and make funding decisions based on more predictable, rigorous, and clear criteria.

Status

The Ministry informed us that it is continuing to develop its capital planning process, and in May 2010 sent out a memo to all colleges asking them to identify their capital planning priorities. The memo requested that each college provide an update of its inventory of capital projects and major strategic infrastructure initiatives, including asset management strategies and a ranking of project proposals. Ministry priorities for projects included criteria such as the capacity for growth in high-demand areas, a contribution to long-term economic development, and demonstrated linkages with provincial priorities in post-secondary education, including growth in the college sector and the provision of quality education.

The Ministry has developed a project-selection framework to assess all project proposals received from the colleges with an approach focused on assessing the alignment of the proposals with its own priorities and those of the Ministry of Infrastructure. In June 2011, the Ministry selected 10 capital projects at colleges and committed funding of $245 million with an estimated incremental enrolment of more than 9,200 students.

In May 2011, the government announced "Putting Students First: Ontario's Plan for Postsecondary Education." The plan is designed to support enrolment growth by providing space and operating funding for 60,000 more students at colleges and universities over the next five years. The plan also emphasizes strategic and well-planned growth in the post-secondary education sector.

In June 2011, the Ministry of Infrastructure released Ontario's long-term infrastructure plan, *Building Together: Jobs and Prosperity for Ontarians*, which outlines the government's plans for the next 10 years. The plan notes that Ontario will work with colleges and other post-secondary institutions to:

- ensure that infrastructure investments respond to demand, align with the aims of "Putting Students First" and support the goal of a 70% attainment rate for post-secondary education;
- introduce a satellite campus policy to help manage growth in the system and give priority to areas where rapid growth is expected;
- develop a more comprehensive funding policy for major capital projects, including procurement approaches and a framework for determining the appropriate provincial share; and
- emphasize asset management planning and facilities renewal and repurposing.

As a prerequisite for infrastructure funding, every college and university will be required to develop an asset management plan that outlines the condition of its existing assets and its plan for addressing the renewal needs identified. When seeking funding for expansion, institutions will need to provide a clear rationale to opt for new construction instead of renewing or repurposing existing space.

In collaboration with the Ministry of Infrastructure, the Ministry intends to ensure that institutions comply with the new requirements set out in the provincial 10-year infrastructure plan, including developing and publishing detailed institutional asset management plans as a prerequisite to receiving provincial capital funding. The Ministry has also initiated projects to create a comprehensive college facility space inventory, develop space standards and assess the condition of facilities across the province.

The colleges informed us that the Ministry had asked them to submit updates to their proposed capital projects in 2008 and 2010, but there had been no further requests since then. One college noted that these requests represent an excellent foundation for a possible province-wide capital planning process. However, the same college also expressed concern that the process needed to be ongoing in order to provide current and reliable planning information. Another college noted that the Ministry promised to continue consulting with colleges regarding asset management planning and that it subsequently had a number of meetings with ministry staff regarding growth and facilities planning.

FACILITIES RENEWAL AND MAINTENANCE

Recommendation 2

To preserve the taxpayer's investment in the college infrastructure and maintain these assets in good condition so that colleges can provide an adequate learning environment, the Ministry of Training, Colleges and Universities should continue to work with Ontario colleges to:

- *ensure that the asset management information system is regularly and consistently maintained to enable both the Ministry and colleges to make informed decisions based on current, accurate, and complete information; and*
- *develop strategies, targets, and timelines to address the deferred maintenance backlog.*

Status

The Ministry's facilities renewal program is intended to assist post-secondary institutions in addressing ongoing maintenance, repairs and renovations of existing facilities. Recurring annual facilities renewal funding had been $13.3 million over the previous 10 years and was provided to supplement the colleges' own annual capital maintenance programs. Ministry funding for capital maintenance decreased in 2011/12 and is not expected to increase, as we were informed that funding for facilities renewal was budgeted at $8.7 million for the 2012/13 fiscal year. Estimates provided by the colleges indicate that components of the 10 approved major capital projects (totalling $245 million) are projected to contribute an additional $14 million to address the colleges' current deferred maintenance backlog.

The Ministry and colleges are working to develop an inventory of college spaces that support student enrolment, as well as to develop related standards, consistently assess facility conditions across the college sector and determine the appropriate priorities for addressing deferred maintenance given available funding. Establishing space standards and assessing the condition of facilities are key first steps to developing a sustainable long-term asset management plan.

Ontario colleges currently maintain their space inventory data in a variety of formats. Furthermore, there is no common definition for different categories of college student space, nor are there standards for the amount of space required for each category. To address this issue, the Ministry and Colleges Ontario (the advocacy organization for the province's colleges of applied arts and technology) signed a transfer-payment agreement in October 2011 to work on the development of system-wide space standards and utilization benchmarks, and to complete a system-wide space inventory.

In November 2011, Colleges Ontario engaged a consultant to lead the work to develop a space inventory, utilization and planning framework for Ontario's 24 colleges. Key deliverables stipulated in the agreement include completion of a system-wide space inventory by September 2012; implementation of a common space inventory database; and development of standards, benchmarks and a reporting system for space utilization. On February 27, 2012, the Ministry received a progress report on the work accomplished to date, which largely focused on the development of a common space inventory database. At the time of our follow-up, the Ministry was expecting another progress report on the space inventory and database by September 15, 2012. Colleges Ontario was planning to deliver its final report by January 31, 2013.

In April 2012, the Ministry received approval to procure a vendor to refine and standardize the existing facility condition assessment systems in use by Ontario's colleges. To ensure that the results of the procurement meet the needs of all decision-makers, a working group with representatives from the Ministry, the colleges, the Ministry of Infrastructure and Colleges Ontario was set up to provide advice. The project is expected to ensure consistent standards in key areas such as replacement values and unit costs, and to undertake system-wide facility condition assessments with related data updates. The project will be funded by the Ministry and is expected to be completed within two years. At that time, consideration will be given to initiating a cycle of updates to the assessment for up to 20% of facilities per year.

Establishing space standards and assessing the condition of facilities provide the information needed to make good investment decisions. Once better information on the demand for space and the condition of existing space is available, updated estimates on the funding required to meet identified needs can be prepared.

Several of the colleges advised us that they were actively participating in the Ministry's assessment of space utilization and/or facility condition. One college noted that consistently updating the space inventory and utilization data for all colleges was an excellent step toward effective asset management, and it anticipated that all colleges would be up to date by the end of March 2013. The college also noted that, since no system-wide strategies appeared to be emerging and there was no new money and even less facilities renewal funding, it is continuing to develop its own strategies to cope with its deferred maintenance backlog. This often results in addressing only the most urgent needs.

MAJOR CAPITAL PROJECT MANAGEMENT

Recommendation 3

To help ensure that new construction and major renovations efficiently and cost-effectively achieve both college capacity goals and ministry economic objectives, the Ministry of Training, Colleges and Universities should:

- *implement fair and transparent procedures, similar to those developed for the Knowledge Infrastructure Program, for its project proposal, evaluation, and selection process;*
- *enter into an agreement with each college to indicate the Ministry's and college's respective responsibilities for completing the project and the necessary reporting requirements;*
- *advance funds to colleges as the work progresses; and*
- *maintain adequate documentation throughout the process to demonstrate that the program is transparent, fair, and achieves value for money, as well as college and ministry objectives.*

Status

In May 2010, the Ministry requested that colleges identify their capital planning priorities and provide an update to their inventory of capital projects and major strategic infrastructure initiatives, including institutions' asset management strategies and a ranking of their project proposals. To assess all project proposals received, the Ministry developed a project selection framework with an approach focused on assessing the alignment of the proposals with overall provincial infrastructure priorities and initiatives, as well as their fit with the strategic priorities of Ontario's post-secondary education sector.

Project assessment criteria included the estimated total and provincial cost (including cost per each new student enrolled); the type of project (for example, renewal, expansion); the impact on capacity growth in underserved regions; alignment with key government initiatives, such as the province's growth plans; and links to key sectors outlined in Ontario's innovation agenda (such as health services, science and technology, and skilled trades).

These project assessment criteria were included in the evaluation templates that ministry staff completed in order to evaluate all the project proposals received from the institutions. After the initial project assessment, ministry staff met with representatives from the colleges to review their project proposals and their alignment with institutional priorities and ministry capital planning objectives. Following these meetings, the Ministry identified 10 capital projects for funding.

The Ministry entered into transfer payment agreements with all institutions whose infrastructure projects were selected, with the exception of three large and complex infrastructure projects approved for Alternative Financing and

Procurement (AFP), a construction delivery model developed and managed by Infrastructure Ontario. The Ministry will enter into transfer payment agreements for the AFP projects once the projects are at the appropriate stage. No funding will be flowed to these three institutions until agreements are in place. The Ministry's transfer payment agreements stipulate that each institution is required to comply with the Procurement Directive that came into effect on April 1, 2011, under the *Broader Public Sector Accountability Act, 2010*. The agreements were reviewed and approved by the Ministry of the Attorney General to ensure they protect, to an appropriate degree, the interests of the province.

The Ministry's project oversight includes monitoring progress on the projects and ensuring compliance with the government's Transfer Payment Accountability Directive and with the Cash Management Directive. The latter directive requires payments be made at or close to the time money is needed by the recipient. As part of the process, in addition to the pre-existing annual and close-out reporting requirements, the Ministry has implemented a quarterly reporting cycle that captures expenditure reporting and provides details that enable the Ministry to monitor project progress and provide transfer payments as the construction phase progresses.

The Ministry also introduced a new requirement for institutions to provide a cost consultant's report reviewing the projected costs of the projects. In addition to the pre-existing requirement that each institution provide a copy of the Certificate of Substantial Performance in accordance with subsection 2(1) of the *Construction Lien Act* upon completion of the project, colleges are now required to provide a commissioning agent's report to confirm that the building systems work as they are intended to.

The Ministry intends to refine its existing project selection and project oversight to reflect the long-term capital planning objectives and provincial fiscal realities. Given limited capital funding flexibility, the Ministry has not issued a request to colleges for updated or new proposals since 2010.

With respect to submissions, project selection, funding agreements, cash flow and monitoring, one of the colleges responded that there has been a noticeable increase in rigour in the requirements related to the documentation and reporting for its funded capital projects. The college also noted that these projects still necessitated a significant amount of effort to solicit support for approvals, and it would like to see a process that would help provide more predictable funding decisions.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

Recommendation 4

To help ensure that all stakeholders have a good understanding of the condition of the province's college infrastructure assets, the Ministry of Training, Colleges and Universities and the colleges should continue to develop and report long-term performance indicators on the management and condition of their facilities.

Status

The Ministry is engaged in ongoing discussions with the sector on the data requirements for the asset management framework, including defining the most suitable asset management performance indicators. The outcomes from the space standards and facility condition assessment projects, to be completed over the next two years, will guide the development of performance indicators.

In December 2011, the Ministry established the Deferred Maintenance Working Group with representation from the Ministry of Infrastructure, Colleges Ontario and various colleges. The Working Group had a general discussion of the capital-related decision-making processes of colleges, the Ministry and the Ministry of Infrastructure. The aim was to determine what sorts of data were required to improve decision-making at all levels. A second meeting focused on the facilities condition assessments, specific pieces of data that would need to be collected and the mechanics of collecting such data.

Before the facilities condition assessments begin, a meeting will be held with the working group and the consultant engaged to refine and standardize the existing facilities condition assessment systems in use by Ontario's colleges. Data requirements will be finalized at this meeting and performance indicators discussed. The practical experience of the successful consultant will be combined with the reporting needs of colleges and the provincial government to arrive at a final suite of indicators. While the working group is currently focused on implementing the facility condition assessment project, the focus will shift to how best to use the resulting data when the project is complete.

Several colleges indicated that the two major initiatives in progress, the space standards and facility condition assessment projects, will contribute to the development of performance indicators and reporting mechanisms to ensure consistent and comparable reporting for both the condition and utilization of college assets.

Chapter 4
Section
4.07

Ministry of Infrastructure

Infrastructure Stimulus Spending

Follow-up to VFM Section 3.07, *2010 Annual Report*

Background

In January 2009, the federal government announced the Economic Action Plan, which included infrastructure investments, tax relief and grants to businesses and individuals as measures to stimulate the economy and combat the effects of the global economic crisis.

The Plan also included several short-term programs to support infrastructure projects and create jobs throughout 2009 and 2010. These programs targeted construction-ready projects that would not otherwise have been built within those two years, and had requirements that they be substantially completed by March 31, 2011.

These programs were designed so that for every dollar that the eligible recipients—municipalities, First Nations and not-for-profit organizations—committed to an approved project, the federal and provincial governments would each commit another dollar. As well, a number of projects were undertaken by the province itself and funded 50/50 with the federal government. It was estimated that with full take-up, the programs would lead to more than $8 billion in infrastructure spending across the province by the three levels of government.

In 2010, we conducted an audit that focused on three of these programs, which accounted for about $3.9 billion of the total $6.9 billion federal–provincial short-term infrastructure commitment:

- Infrastructure Stimulus Fund (ISF);
- Building Canada Fund–Communities Component Top-Up (BCF-CC); and
- Recreational Infrastructure Canada Program in Ontario and Ontario Recreational Program (RINC).

The ISF and BCF-CC programs primarily supported construction of roads, bridges, parks and trails, along with facilities such as municipal buildings and water and wastewater processing plants, while RINC helped build recreational infrastructure. When the two governments unveiled the programs in spring 2009, they set March 31, 2011, as the deadline for substantial completion of projects. As of March 31, 2010, about $3.1 billion of the $3.9 billion available under the three programs had been committed to approximately 2,300 federal–provincial cost-shared projects.

The Ontario Ministry of Energy and Infrastructure (MEI—now divided into the ministries of Energy and Infrastructure) and the federal government were responsible for delivery of the three programs. MEI was the lead ministry responsible for oversight and negotiating funding arrangements. On a day-to-day basis, the Ministry of Agriculture, Food and Rural Affairs administered ISF and BCF-CC, while the Ministry of Tourism and Culture (now the Ministry of Tourism, Culture and Sport) administered RINC.

In our *2010 Annual Report*, we noted that in order to ensure that stimulus funds would be injected into the economy to create jobs as quickly as possible, the three programs were to give priority to construction-ready projects of demonstrable benefit to their communities that could be substantially completed within two years. Priority was also to be given to those who planned to spend 50% or more of the funds by March 31, 2010, the end of the programs' first year. However, as of March 31, 2010, the end of the first year of the two-year programs, less than $510 million, or only about 16%, of the total $3.1 billion committed by the federal and Ontario governments had actually been spent. According to the job-creation model used by MEI, the three programs we examined would create and preserve about 44,000 jobs, but given the lower level of actual spending during the first year of the programs, only about 7,000 jobs were estimated to have been created or preserved during the first year of the two-year program.

With respect to the grant-application and application-assessment processes, we noted that:

- MEI placed no limit on the number of applications that municipalities with populations of more than 100,000 could submit under ISF, the largest of the three infrastructure programs. This provided an incentive to submit large numbers of applications in hopes of getting as many approved as possible. For example, four municipalities submitted a total of almost 1,100 applications, accounting for 40% of the total applications submitted by the 421 Ontario municipalities for this program.
- Due to the tight deadlines, the time allotted for the provincial review of ISF applications was in most cases just one to two days. In one instance, we noted that a key component of the provincial review for 56 projects worth an estimated $585 million was carried out in just four hours. In our view, it would not have been possible to conduct the necessary due diligence within such a tight time frame.
- Applicants were not required to prioritize their infrastructure needs, and none did in their applications, making it more difficult to assess the benefits of the proposed projects so that informed funding decisions could be made. One municipality submitted 150 applications valued at $408 million, and received approvals for 15 projects worth $194 million. From our visit to this municipality, we noted that 11 of the approved projects, valued at $121.7 million, were ranked at or near the bottom of the municipality's own priority list, while other, higher-ranked eligible projects were not approved.
- We noted that technical experts were generally not involved in assessing the applications even though thorough analysis by such experts would have helped assess the reasonableness of project cost estimates and identify those unlikely to meet the two-year completion deadline.

After assessment and review by civil servants in the appropriate ministries, the applications were submitted to the office of Ontario's Minister of Energy and Infrastructure and to his federal counterpart for final review and approval. With respect to this process, we noted that there was a general lack of documentation to support the decisions regarding which projects were approved and which were not. In some cases, ministers' offices approved projects that civil servants had earlier deemed ineligible or about which they had flagged concerns.

Federal and provincial funding was to end on March 31, 2011, after two years. As only 16% of the committed funds had been spent after the first year, many recipients had difficulty completing their projects by this deadline. Our survey indicated that as of May 2010, more than one-third of respondents had to take such steps as adjusting project specifications and cost estimates in the original applications, paying contractors overtime and sole-sourcing some contracts to meet the deadline.

We made a number of recommendations for improvement and received commitments from the Ministry of Infrastructure (Ministry) that it would take action to address our concerns.

In December 2010 (subsequent to our audit), both the federal and provincial governments announced a one-time extension of the March 31, 2011, deadline until October 31, 2011, to provide one more construction season for projects not likely to meet the original deadline. In order to qualify for this new deadline, projects had to have incurred eligible costs before March 31, 2011, and were required to submit an application for the extension. According to the Ministry, nearly 800 projects were approved for this extension. In November 2011 and February 2012, the province exempted 21 projects from the extended deadline and continued to reimburse its share of eligible costs incurred between November 1, 2011, and March 31, 2012.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

The Standing Committee on Public Accounts held a hearing on this audit in March 2011. In May 2011, the Committee reported to the Legislature on this hearing. It stated in a letter that it was satisfied with the Ministry's responses to its questions and with the actions taken to date to address the Auditor General's recommendations. The Committee did not make any recommendations of its own.

Status of Actions Taken on Recommendations

The Ministry provided us with information in spring 2012 on the current status of the actions taken on our recommendations. According to this information, recommendations applicable to the 2009 programs have been substantially implemented, in part because of the federal and provincial governments' extension of the funding deadline for qualifying projects to October 31, 2011, and the further provincial extension for qualifying projects to March 31, 2012.

The Ministry agreed to take our recommendations pertaining to any future infrastructure programs into consideration when designing capital-grant programs. The status of the action taken on each of our recommendations at the time of our follow-up was as follows.

PROGRAM ELIGIBILITY AND APPLICATION ASSESSMENT

Program Design and the Submission of Applications

Recommendation 1

To help ensure that projects best suited to meeting program objectives are funded in any future infrastructure programs, the Ministry of Infrastructure should:

- *follow a more risk-based approach to designing and implementing future capital-grant programs and consider all important factors affecting program delivery, including project suitability, reasonableness of timelines, and the capacity of and demand on ministry resources;*
- *require that applicants better demonstrate the benefits of their proposed projects, provide evidence that the expected benefits are achievable, and prioritize their applications; and*
- *strengthen its due-diligence process and include the use of technical experts to review high-risk projects, in assessing grant applications.*

Status

Since our 2010 audit, the province has not initiated similar infrastructure programs. However, the Ministry indicated that it is committed to taking this recommendation into consideration when designing any future capital-grant programs. Specifically, the Ministry informed us that it will expand the use of risk-based program design and analysis, assess the implications of program-design decisions on ministry resources, and work to incorporate technical expertise in the due-diligence process. The Ministry also committed to seeking the advice of the province's Internal Audit Division early in the development of future programs.

For future infrastructure programs that involve partner ministries, the Ministry committed to providing better guidance to all staff responsible for reviewing applications, to strengthen the due-diligence process for application assessments. The Ministry also indicated that it will ensure that future application processes place a greater onus on applicants to demonstrate that the proposal and claims in their applications are valid and achievable and that they address a priority need for the community.

Approvals of Applications

Recommendation 2

To ensure a fair and transparent project selection process is followed for any similar programs in future, the Ministry of Infrastructure should:

- *address all significant concerns raised during initial assessment and satisfactorily follow up and resolve them before approving the projects;*
- *strengthen documentation of the rationale for decisions reached throughout all stages of the grant-assessment and approval processes; and*
- *consider whether providing additional information would enhance transparency and be of interest to the general public and the Legislature.*

Status

Similar to the previous recommendation, this recommendation is also aimed at the administration of future capital-grant programs. However, after the March 31, 2011, deadline for the completion of projects under the 2009 infrastructure stimulus programs was extended to October 31, 2011, the Ministry made some efforts to implement the recommendation in the administration of the extended projects. For instance, recipients of the infrastructure stimulus funding were required to apply for the October 31, 2011, extension and to submit supporting documentation including a detailed construction schedule signed by a professional engineer or architect. These applications were reviewed by the Ministry, the partner ministries and the federal government to assess whether each extension was compliant with the program criteria. The review process allowed for follow-up with applicants to seek clarification on issues and concerns identified in their applications before the decision on each extension was made. The Ministry maintained documentation to record whether each application for the extension was complete. In the case of incomplete applications, the reasons for their incomplete status were recorded so that the rationale for any denial of an extension was documented. Federal–provincial program management committees provided recommendations on extension approvals to the federal and provincial ministers, who had the final authority to approve extensions.

To improve the transparency of projects funded by infrastructure stimulus spending, in December 2010 the Ministry launched an enhanced version of the Revitalizing Ontario's Infrastructure website that contains additional information on the projects, such as project descriptions and maps that better indicate the location of projects. In 2011, further enhancements were made to the website, which included improved project filtering and the addition of web pages showing the benefits provided by the province's infrastructure projects. The Ministry indicated that the website continues to be updated with information on the construction status of projects funded by stimulus spending, given that for some projects, payments for costs incurred up to March 31, 2012, will continue well into the 2012/13 fiscal year.

PROJECT MANAGEMENT

Reporting and Monitoring the Progress of Projects

Recommendation 3

To help ensure that funded projects are completed on time and on budget, and to comply with funding agreements, the Ministry of Infrastructure should:

- *ensure that recipients report project information consistently and on a timely basis, and follow up on projects at risk of missing the funding cut-off deadline; and*
- *consider raising the issue with the federal government once reliable data is available on the number and extent of projects that will not be completed by the March 31, 2011, federal funding cut-off.*

Status

In our *2010 Annual Report,* we noted delays in reporting the status of 17% of the ISF municipal projects and 40% of the RINC projects. The status of the RINC projects, in particular, was difficult to determine reliably due to issues with RINC's information system. In June 2010, subsequent to our audit fieldwork, we were informed that progress reports had been submitted for 95% of all projects. However, we noted a variety of interpretations by recipients as to what constitutes "progress" on a project. Some defined it as estimated work done, while others used actual dollars spent and engineering assessments. The analysis we did in 2010 of progress based on actual spending by recipients revealed that only 16% of the committed funds had been spent. This lagged significantly behind the province's initial expectation of equal spending in each of the program's two years and left a significant amount of the funds originally committed still to be spent in the 2010/11 fiscal year.

As noted earlier, in December 2010, the federal government announced that it was extending the funding deadline for qualifying projects funded by stimulus spending to October 31, 2011, since these projects were at risk of not being completed by the March 31, 2011, cut-off date for federal funding. Close to 800 projects were approved for the extension. Subsequent to the extension by the federal government, the Ontario government further exempted 21 projects from the extended deadline and continued to reimburse its share of eligible costs incurred to March 31, 2012. The Ministry indicated that, as a result of these federal and provincial measures, only 19 projects had not been completed by March 31, 2012. According to the Ministry, most of these had incurred sufficient eligible costs prior to March 31, 2012, to have the full provincial contribution paid out.

Costs to Meet the Funding Deadline

Recommendation 4

To help ensure that funds are spent wisely, the ministries of Infrastructure, Tourism and Culture, and Agriculture, Food and Rural Affairs should work with any recipients experiencing significant delays on their projects to evaluate the options and solutions best suited to meet stimulus-program objectives and ensure value for money in completing the projects.

Status

The Ministry indicated that following our 2010 audit, partner ministries engaged on an ongoing basis with recipients of stimulus spending, including conducting site visits to assess and validate project progress. The partner ministries regularly reported issues they noted to the Ministry and the federal government. They paid special attention to projects identified as delayed or otherwise at risk of not being completed by the new October 31, 2011, deadline or the March 31, 2012, provincial deadline. The provincial ministries and the federal government collaborated to assess options and identify solutions for projects that needed support. This included working with recipients of stimulus funds to identify options such as changing the scope of their projects so that they could be completed by the funding deadline.

The Ministry also indicated that, ultimately, funding recipients were accountable under the binding stimulus funding agreement for the procurement, management and delivery of their own projects by the funding deadline. Follow-up letters approved by the Ministry, the partner ministries and the federal government were issued when warranted to ensure that recipients were aware of the current situation related to their projects and the potential consequences that could arise if they did not take the required action.

As a result of the above actions by the Ministry, the partner ministries and the federal government, the number of projects considered at risk of not meeting the funding deadline steadily declined, and the vast majority of them were completed by March 31, 2012.

Financial and Claims Administration

Recommendation 5

To ensure that funds are spent wisely and for the purpose intended, the Ministry of Infrastructure should work with the Internal Audit Division to develop appropriate monitoring and audit coverage of fund recipients according to assessed risk.

Status

In our *2010 Annual Report*, this recommendation was predominantly aimed at the better monitoring of about 150 not-for-profit organizations (NPOs) that at the time of our audit had received approximately $360 million in stimulus funding. Since these NPOs were typically smaller organizations that ranged from multi-purpose community organizations and recreational centres to special-purpose organizations like sports clubs, they might lack the project-management expertise and accountability structures of larger organizations. Furthermore, the provincial ministries involved with this program had no previous experience in dealing with these smaller organizations.

Although since our 2010 audit it has not specifically audited any of the projects procured by these smaller NPOs using stimulus funding, the Ministry did indicate that a small sample of the statements of expenditures submitted by the NPOs was reviewed by an accounting firm to assess whether the statements were prepared in accordance with the terms of the funding agreement. The Ministry also indicated that it has been working with the Ontario Internal Audit Division (OIAD) to ensure that project and program close-out protocols are providing appropriate monitoring and risk mitigation to achieve successful close-out of projects.

The Ministry noted that the binding funding agreements with recipients give the province the right to audit projects to determine whether funds have been spent wisely. The province's right to audit extends beyond the completion of the project. The Ministry indicated that the government will continue to use the risk-assessment model to determine if projects warrant an audit upon completion. To this end, following up on a recommendation provided by the OIAD, the Ministry issued an Assistant Deputy Minister–level memo to partner ministries on April 3, 2012, about these ministries' ongoing accountability responsibilities as they relate to the stimulus programs. One such responsibility is to retain proper and accurate project and program records for six years following March 31, 2012, to support any audits that may be undertaken. The Ministry stated that it will continue to seek advice from the OIAD as the government continues to wind down the stimulus programs and in the design and implementation of future programs.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

Recommendation 6

To better enable the public and legislators to evaluate the effectiveness of these stimulus programs, the Ministry of Infrastructure should:

- *provide timely and accurate information on the progress of these projects; and*
- *ensure that the methodology used to calculate the impact of stimulus funds on employment is*

adjusted as needed to reflect the actual flow of funds into the economy and the impact on the job market.

Status

As noted earlier, to provide more timely and accurate information on the progress of projects funded by stimulus spending, shortly after our 2010 audit the Ministry added new features and additional information on the stimulus projects on its *Revitalizing Ontario's Infrastructure* website.

The Ministry also indicated that it uses job multipliers provided by the Ministry of Finance (MOF), which MOF annually updates on the basis of the latest data from Statistics Canada. These updated multipliers, according to the Ministry, help ensure that the most current information about the structure of the Ontario economy is used in job calculations.

Lastly, the Ministry stated that in view of the winding down of the stimulus programs, it continues to work with its partner ministries and the federal government to identify the lessons learned from the stimulus programs so that future programs can be made more effective and accountable.

Chapter 4
Section
4.08 Municipal Property Assessment Corporation

Follow-up to VFM Section 3.08, *2010 Annual Report*

Background

The determination of the market value of a property is critical because it ultimately determines how much property tax an owner must pay. In Ontario, this tax is calculated by multiplying a property's assessed market value by the tax rate of the property's municipality.

On December 31, 1998, the province transferred the responsibility for determining the assessed value for properties to the Ontario Property Assessment Corporation, later renamed the Municipal Property Assessment Corporation (Corporation). The primary responsibility of the Corporation's 1,600 employees is to prepare an annual assessment roll for each local municipality that identifies each property and its assessed market value. In the 2011 calendar year, Corporation expenditures totalled $190.4 million ($185.5 million in 2009), most of which was funded by the province's 444 municipalities.

From the perspective of a property owner, it is reasonable to expect that each property will be assessed within a range that is reasonably close to its fair market value—the most likely sale price between a willing buyer and seller. At the time of our 2010 audit, this was also the position of the Corporation and Ontario's Assessment Review Board, the independent tribunal that hears appeals from people who believe their properties have been incorrectly assessed or classified.

To get an indication of whether the Corporation's mass-appraisal system achieved this objective, in our 2010 audit we compared the sale prices of 11,500 properties identified as having been sold at arm's length in 2007 and 2008 to their assessed market value as of January 1, 2008. We found that in 1,400 of these cases, or one in eight, the assessed value differed from the sale price by more than 20%. In many cases, the difference between assessed market value and actual selling price was substantial.

At the time of our audit, the Corporation acknowledged that some individual property assessments might not have reflected the current or fair-market property-value range as indicated by an arm's-length sale price. These variations most often occurred because it did not have up-to-date property data from a property inspection. As a result, some property owners may have been over- or under-assessed, and therefore paid more or less than their fair share. While the Corporation did get it right for the vast majority of properties, this was of little solace to property owners who were over-assessed relative to neighbouring properties, and therefore paid more than their fair share of tax.

More frequent property inspections and timely investigations of sales values that vary significantly from assessed values should reduce the differences between assessed values and sale prices. Nevertheless, our discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information the Corporation provided.

In our *2010 Annual Report*, we identified a number of areas where improvement was needed with respect to the Corporation's collection of information essential for accurate and consistent property-tax assessments. The most significant of these areas were the following:

- In the 1,400 cases in which we found the sale price differed by more than 20% from the assessed value, the Corporation had not investigated the reasons for these differences or made any adjustments to the assessed value of these properties where warranted.
- We found almost 18,000 building permits with a total value of about $5.1 billion as of December 31, 2009, for which the Corporation had failed to inspect the corresponding properties within the three-year statutory period for reassessing property and improvements.
- Although the Corporation's target is to inspect each property in the province at least once every 12 years, under the actual inspection cycle it would take at least 18 years to achieve this, assuming current staffing levels and no further growth in the number of residential properties.
- The Corporation began work on a new computer system in 2000, but the system was not yet fully functional, and costs incurred at the time of our audit exceeded $50 million compared to an original budget of $18.3 million.
- While the Corporation had established reasonable requirements for acquiring goods and services, it often did not comply with good business practices, including its own mandatory policies and procedures.

We made a number of recommendations for improvement and received commitments from the Corporation that it would take action to address our concerns.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

The Standing Committee on Public Accounts held a hearing on this audit in March 2011. In May 2011, the Committee tabled a report in the Legislature resulting from this hearing. The report contained five recommendations and requested that the Corporation report back to the Committee with respect to the following:

- the Corporation's most recent data on significant variances between properties' sale prices and assessed values, including when and how the Corporation investigated the variances and what adjustments were made to assessments;
- the status of the Corporation's efforts to obtain information on building-permit work completed and occupancy/completion status reports from municipalities, including the number of municipalities that are submitting this information and an indication of whether municipalities are reporting in a standardized way with enough detail and whether the Corporation would be publicizing on its website those municipalities with more than 5,000 properties that:
  - have not submitted any information on building-permit work completed or any occupancy/completion status reports;
  - submitted building-permit information more than six months after work was completed; and
  - submitted occupancy/completion status information more than three months after the occupancy permit was issued;
- the results of the Corporation's managerial file reviews of Requests for Reconsideration decisions since the audit;
- the Corporation's progress in meeting a 12-year inspection cycle, including the average

daily number of inspections per inspector (and the length of the ensuing inspection cycle), how the Corporation is ensuring that the risk of under- or over-assessments is the main driver of inspections, the effect of tools like hand-held computing devices, satellite imagery and phone surveys in shortening the inspection cycle, and measures taken to ensure high-quality field-office review of inspection files; and

- what oversight procedures the Corporation has to ensure that its staff are complying with its revised policies on procurement and on travel, meals and hospitality.

The Corporation formally responded to the Committee in September 2011. A number of issues raised by the Committee were similar to our observations. Where the Committee's recommendations are similar to ours, this follow-up includes the recent actions reported by the Corporation to address the concerns raised by both the Committee and our 2010 audit.

Status of Actions Taken on Recommendations

According to the information we received from the Corporation, significant progress has been made in addressing most of our recommendations, with some progress being made on the others. For instance, the Corporation has established a 25% threshold, above which differences between a property's sale price and its assessed market value are to be investigated within a 12-month period. The Corporation has also expanded its use of its information management systems to document property inspections and Requests for Reconsideration. It also conducts managerial reviews on these electronic files. In addition, the Corporation has revised and strengthened its procurement policies to ensure that goods and services are acquired appropriately, written and properly authorized contracts are in place, and evaluations of contractors' performance are documented. It also advised us that it now follows the government's Travel, Meal and Hospitality Expenses Directive. The Corporation will need additional time to fully address some of our other recommendations, such as inspecting and reassessing all properties for which a building permit has been issued before statutory limits on collecting additional taxes expire. The Corporation will also need additional time to implement its 12-year residential property inspection plan. The status of the action taken on each recommendation at the time of our follow-up was as follows.

ASSESSED VALUES OF RESIDENTIAL PROPERTIES

Recommendation 1

To help ensure that individual properties are assessed in accordance with the Assessment Act *at the amount that a willing buyer would pay to a willing seller, the Municipal Property Assessment Corporation should:*

- *formally establish a threshold above which differences between a property's sale price and its assessed market value must be investigated within a reasonable period of time; and*
- *where warranted, adjust the property's assessed market value accordingly.*

Status

The Corporation informed us that it used sale prices from 2009, 2010 and 2011 to develop values for its January 1, 2012, assessment update. In 2011, the Corporation established a threshold of 25%, together with assessment-to-sales analysis from each market area, to flag sales that should be investigated. Depending on the difference between the previous assessed value and the current market value, the Corporation would conduct either an on-site inspection or a desktop review of the property. A desktop review, which is an alternative method to an on-site visit, consists primarily of reviewing digital images of the property and requesting supporting documentation from the property owner. The Corporation aimed to conduct all targeted investigations within 12 months from the date it obtains sale information.

The Corporation advised us that out of the approximately 1,118,000 sales that occurred between 2009 and 2011, it had identified about 534,000 properties for investigations as they met the 25% threshold and a predetermined assessment-to-sales ratio. It had conducted investigations on approximately 382,000 of them as of March 1, 2012. About 215,000 (or 56%) of these investigations resulted in a change to the property's assessed value. Approximately 191,000 (or 89%) were adjusted upward in value while the remaining 24,000 (11%) were adjusted downward. In total, the exercise resulted in value changes of some $16.6 billion. The Corporation planned to complete the remaining approximately 152,000 investigations by the end of 2012.

The Corporation also informed us that it was in the process of updating its sales investigation procedures, originally established in 2011. It planned to incorporate a risk-analysis model and develop additional alternatives to the procedures to ensure that sales investigations are completed on a more timely basis.

BUILDING PERMITS

Recommendation 2

To help ensure that inspections of properties for which a building permit has been issued are completed on a timely basis so that retroactive assessments and tax can be levied as soon as possible and certainly before statutory limits expire, the Municipal Property Assessment Corporation should:

- *ask all municipalities in the province to provide the Corporation with formal notification when the work with respect to a building permit has been completed; and*
- *inspect and reassess the market value of all such properties before statutory limits on collecting additional tax expire.*

Status

The Corporation indicated that it has developed an extensive communications strategy and introduced various initiatives to encourage all municipalities to provide building-permit information via a standardized electronic process (in the absence of any legislative requirement to do so). It has also developed internal standardized reports, provided to its managers every month, that contain key building-permit information, such as the age of the permit, the actual or expected completion date for the project and the value of the permit issued.

The Corporation advised us that the number of municipalities in compliance with the standardized process had more than doubled, from 69 to 154, over the four-month period from November 2011 to February 2012. Although the 154 municipalities represent only 37% of the 414 municipalities that issue permits, these municipalities accounted for close to 126,000 (or 68%) of the approximately 185,000 permits received by the Corporation for 2010. The remaining 32% of permits (59,000) were submitted by 260 municipalities but were not provided in compliance with the standardized process. The Corporation's goal was to have at least 80% of permits submitted in the standardized format. Once this 80% target is reached, the Corporation is to examine the costs versus the benefits of trying to raise this percentage further, as opposed to managing the remaining paper permits manually.

With respect to further inspection and reassessment of properties with a building permit issued, the Corporation informed us that it used the building-permit information received from municipalities to prioritize certain properties for value assessment before statutory limits expire. The Corporation reported that this permit prioritization helped it to reduce the assessment amounts that had passed the statutory limits from 15.7% in 2010 to 10% in 2011. The Corporation also indicated that the number of permits worth more than $10,000 each that had been issued more than three years ago had been reduced from almost 18,000 as of December 31, 2009, to approximately 10,500 permits as of March 31, 2012. The total value of these older permits had also been reduced, from approximately $5.1 billion to about $2.3 billion over the same period.

The Corporation further advised us that the average time to process an assessment change resulting from building-permit activity had been reduced from 10.8 months in 2010 to 9.6 months in 2011 and that the building-permit activity had resulted in over $28.4 billion in increased assessments in 2011.

In addition, the Corporation indicated that, as of March 31, 2012, there were about 243,000 building permits to be reviewed, including those issued in prior years. Of the 243,000 permits, about 156,000 (or 64%) had been identified as ready for reassessment and prioritized for completion within legislated timelines. The construction work for the remaining approximately 87,000 (or 36%) building permits had not yet been completed.

REQUESTS FOR RECONSIDERATION AND ASSESSMENT REVIEW BOARD APPEALS

Recommendation 3

To help ensure that the merits of Requests for Reconsideration (RfRs) are properly assessed, and that the adjustments to the property's assessed market value are adequately supported, the Municipal Property Assessment Corporation should:

- *establish mandatory requirements for conducting and documenting RfRs; and*
- *on a sample basis, conduct and document managerial file reviews of all RfRs, including those that result in no assessment changes, to ensure compliance with suggested requirements for conducting an RfR.*

Status

The Corporation advised us that it has established and implemented new Requests for Reconsideration (RfRs) Procedures, which identify the mandatory requirements for conducting and documenting RfRs. These were implemented in October 2009 and further revised in January 2011 to incorporate the new managerial review process. The Corporation also implemented an automated document management system in 2010 to manage all RfRs. Process controls were incorporated into the document management system to improve documentation quality and for ease of management review. Because all documentation and correspondence received from property owners is scanned and stored electronically, paper documents are no longer required.

As of March 1, 2012, the Corporation had processed more than 18,500 RfRs received in 2011 for that tax year. The Corporation indicated that manager reviews had been conducted for all of the 2011 RfRs it received, including those that resulted in no change in assessment value. As a result of the managerial reviews, almost 2,700 (or 14.4%) of the 18,500 RfRs were flagged for further action. Of these, approximately 60% had errors relating to property valuation or classification. The remaining 40% had inadequate supporting documentation, but there was no impact on the property value or owner. The Corporation informed us that all of these RfRs were further reviewed to ensure they had been accurately processed prior to issuing the final assessment for the property.

The Corporation informed us that it will use the 14.4% rejection rate to determine the appropriate level of sampling for future managerial file reviews of RfRs.

INSPECTIONS

Property Inspection Cycle

Recommendation 4

To help ensure that the property information in its database is as complete and up to date as possible, and that it has reliable information with respect to inspections completed, the Municipal Property Assessment Corporation should:

- *require that each regional office select annually at least some properties for an inspection based* *on the assessed risk of under- or over-assessment with a view to working toward meeting its 12-year inspection cycle; and*

- *maintain accurate and meaningful information with respect to the number and type of inspections completed (for example, sales investigations, building permits, and new constructions).*

Status

The Corporation has established a 12-Year Property Review Plan and identified the number of properties that must be reviewed each year in order to inspect all Ontario residential properties over a 12-year period. The Corporation informed us that it has prioritized this listing to ensure properties deemed to be at risk of under- or over- assessment are inspected. Some of the at-risk properties were identified based on such factors as local area knowledge, historical inquiries, appeals and RfR activities, and the average time since the last inspection. The workload listing has been distributed to managers at each regional office bi-weekly since June 2011. As of July 2012, the Corporation had completed a total of approximately 206,000 property reviews for the year: approximately 111,000 were cyclical (targeted) inspections and approximately 95,000 related to building permits, sales investigations, RfRs or appeals.

The Corporation indicated that the number of residential properties that have not been inspected or verified in more than 12 years had been reduced from over 1.5 million, as reported in our *2010 Annual Report*, to about 1.3 million as of July 1, 2012. Under its 12-Year Property Review Plan, the Corporation intends to gradually reduce the gap and eventually eliminate it by 2021.

As was also reported in our *2010 Annual Report*, not all the Corporation's inspections are conducted by an on-site visit. As mentioned earlier, the Corporation may validate property information through a desktop review depending on the assessed risk. The desktop review may include sending out sales questionnaires to property owners to obtain data for verification purposes. The Corporation informed us that, when changes identified by self-reporting property owners cannot be validated through the use of digital imagery, the validation is completed by way of an on-site review of the property.

In addition, the Corporation informed us that to facilitate the tracking of accurate and meaningful information regarding the number and type of inspections completed, it added new property review reason codes and method codes in March 2012 to improve its information systems. The new codes are intended to allow for more precise information that will better reflect the nature and outcome of the inspections.

Inspector Workloads, Quality of Inspections Performed

Recommendation 5

To ensure that inspections are conducted efficiently and are adequately completed and documented, and support the changes to a property's assessed value, the Municipal Property Assessment Corporation should:

- *regularly monitor and assess the productivity of inspectors with respect to both the quality and average number of inspections being done each day;*
- *ensure that files are documented in compliance with acceptable standards and clearly demonstrate what work was completed and what assessment changes were made as a result; and*
- *oversee the success of each regional office in meeting the 12-year inspection-cycle target.*

Status

The Corporation informed us that it has developed and, since September 2011, distributed monthly inspection reports that summarize work activities such as average inspections per day, total inspections completed and total work time. The reports are intended to assist regional managers in their monitoring of inspector productivity and ensure that documentation standards are met; however, formal policies and procedures on the new documentation standards had not yet been established. The Corporation planned to formalize the new requirements by early 2013.

The Corporation also informed us that, effective June 2011, inspection results, such as inspection or verification dates, comments, outcomes and value changes (if any), are entered and stored in the Integrated Property System. Manual files complementing the system are no longer mandatory. Moreover, the Corporation indicated that property reviews were deemed to be completed only when the appropriate information had been updated in the system.

With respect to meeting the 12-year provincial inspection-cycle target, the Corporation indicated that it had established a 12-Year Property Review Plan (see Figure 1) and an annual work plan at a field-office level, and it monitored progress on a monthly basis. The Corporation informed us that in 2011 it inspected approximately 543,000 properties, or about 4,000 more than targeted. However, there are fluctuations in the inspection targets over the 12-year cycle related to such factors as existing workload, competing demands and lack of resources. For example, because of the legislative requirement for delivering the 2013 Assessment Roll by December 2012, inspection targets for 2012 were reduced from the previous year by about 220,000 (40%), to 319,000 inspections.

Figure 1: 12-Year Residential Property Review Cycle

Source of data: Municipal Property Assessment Corporation

Year	# of Residential Property Reviews
2010	446,565
2011	538,500
2012	319,000
2013	261,929
2014	545,052
2015	566,245
2016	366,701
2017	314,315
2018	576,245
2019	580,908
2020	419,087
2021	314,315
Total	**5,248,862**

We reported in 2010 that after the Ombudsman's 2006 report recommended that the Corporation review its staffing needs, the total number of inspectors at the Corporation peaked at approximately 320 in 2007; however, it had steadily dropped since then to about 230 as of April 2010. Although the Corporation has increased its number of inspectors since, and had some 250 and 260 inspectors on staff as of December 2010 and 2011, respectively, it still has fewer staff than it did in 2007.

In order to complete the 12-Year Property Review Plan using available resources, the Corporation has introduced several initiatives to improve efficiency. For example, by the end of 2012, the Corporation planned to complete an upgrade of AboutMyProperty™, an on-line service property owners can use to validate their property information electronically. The Corporation believed this service would be used by significantly more property owners than in the past because of an upgrade making it much more accessible and user-friendly. Moreover, the Corporation has replaced traditional map books with GPS navigational devices and cellphones. As a result, its property inspectors have been able to locate properties more quickly and can get in touch with the office at any time for further information.

Quality Control for Inspections Completed

Recommendation 6

To enhance the effectiveness of the current quality control function, the Municipal Property Assessment Corporation should:

- *ensure that supervisory reviews of inspection files are properly completed and adequately documented as required; and*
- *include in its review process some inspection files that did not result in a change to a property's assessed value.*

Status

In July 2011, the Corporation introduced a Property Review Process Control Team to investigate opportunities for streamlining and automating the property review process, to promote a consistent and more effective approach to management oversight, and to facilitate the assignment and reporting of random property reviews for each field office.

Subsequently, in August 2011, the Corporation established standardized procedures to enable proper supervisory review of inspections. For example, the team developed a new form that is used to electronically document reviews on selected inspections on a bi-weekly basis. The Corporation informed us that property reviews were being done based on both the information in its Integrated Property System and on-site visits. The results of each review are then to be documented on the new form and distributed to the responsible management team for appropriate action and follow-up, if necessary.

The Corporation informed us that about 44,600 (or 8%) of the property reviews for 2011 were found to have problems, either because of noncompliance with standard operating procedures or because they were deemed to be duplicate reviews of the same properties. Although a property may have had to be reviewed more than once due to multiple work activities, for the purpose of contributing to the Corporation's 12-Year Property Review Plan, the property was counted only once as a unique property review.

The Corporation indicated that the samples selected for the review process included both properties where the initial inspection resulted in a change to either the property record or the assessment, and properties where the inspection resulted in no changes. In 2011, about 2,600 properties were sampled, of which approximately 1,500 (or 60%) were properties where the initial inspection had resulted in no change. As of December 31, 2011, the reviews of these 2,600 properties had resulted in absolute value changes of 0.3% of their total value.

The Corporation informed us that it was continuing to develop improvements to its Integrated Property System. At the time of our follow-up, it was developing and testing some system changes and working to add some automatic control functions to improve the efficiency and accuracy of reviews. It planned to implement these changes by the end of 2012.

EXPENDITURES

Establishing the Need for Goods and Services, Acquisition Process for Goods and Services

Recommendation 7

To ensure that goods and services are acquired only when necessary and are the most appropriate in the circumstances, the Municipal Property Assessment Corporation (Corporation) should comply with its own procurement policy and ensure that each acquisition is:

- *justified based on clear business requirements;*
- *the most appropriate option to satisfy the business requirement under the circumstances; and*
- *supported by a properly authorized purchase requisition that provides evidence of the authorization to proceed.*

To ensure that all vendors are treated fairly and equitably and that it obtains value for money spent, the Corporation should also:

- *acquire goods and services competitively in compliance with its own requirements and those of the Ministry of Finance; and*
- *prepare and maintain, for each transaction, adequate documentation to demonstrate why the successful vendor was selected.*

Status

In its response to our *2010 Annual Report*, the Corporation indicated that it had implemented a new Procurement Policy in 2009 to conform to the province's procurement directive. The Corporation has further revised the policy, and received board approval of the changes in September 2011. The new policy requires the justification for each acquisition to be based on clear and documented business requirements. It also requires the use of the Integrated Resources Information System (IRIS) for requisitions over $10,000. These purchases cannot be processed without proper electronic approval in accordance with a Delegation of Authority Framework built into the system.

The new Procurement Policy also requires goods and services to be acquired competitively, with a few exceptions. Goods and non-consulting services valued over $100,000 must be procured through a Request for Proposal (RFP) process, and all RFPs must be publicly posted. For acquisition of consulting services valued at $100,000 or more, an open competitive procurement process generally must be used. A minimum of three vendors are required to submit a written proposal for consulting services valued less than $100,000. The Corporation informed us that it would use the government's vendors of record where appropriate.

The Corporation informed us that its Procurement Unit must maintain a full record of the process used to demonstrate and support the vendor selected for each RFP. For purchases that are over $10,000 but not tendered, the supporting documents must be included with the purchase requisition in the IRIS system.

The Corporation advised us that its internal audit service unit was planning a compliance review of the Procurement Policy by the end of 2012.

Contractual Agreements

Recommendation 8

The Municipal Property Assessment Corporation should adhere to good business practices by ensuring that:

- *it enters into appropriate written agreements with all of its of suppliers of goods and services and that these written agreements include all the normally expected terms and conditions, such as ceiling prices, expected deliverables, and associated time frames;*
- *all such agreements are approved by individuals with the authority to do so;*
- *supplier invoices contain sufficient detail so that the reasonableness of amounts billed and paid can be assessed; and*
- *it assesses and adequately documents the qualifications and performance of suppliers of goods and services.*

Status

The Corporation advised us that it had established written service agreements with all of its suppliers and contractors in the fall of 2009. These agreements include terms and conditions such as ceiling price, expected deliverables, associated time frames and the circumstances under which price increases would be permitted.

As mentioned in the previous section, the Corporation's new Procurement Policy requires that purchase requisitions be recorded in IRIS for each supplier or contractor. The purchase requisition requires electronic approval consistent with the Delegation of Authority. Once approved, a purchase order and a service agreement are created. According to the Corporation, all existing service agreements are signed by the accountable manager, as per the Delegation of Authority Framework.

With regard to payments to contractors, the Corporation informed us that, effective January 2010, accountable managers are required to document the time spent on each project by each contractor, and provide this information to the Project Management Office. The Project Management Office is then to match it to contractor invoices in the IRIS system, ensuring there is sufficient support before forwarding the invoices to the accounting department for payment.

The Corporation also informed us that at the end of each contract, managers must also review contractor performance, and these evaluations are stored in the IRIS system. The Corporation had established a standard template to evaluate contractor performance, but was still in the process of developing a similar template to evaluate supplier performance at the time of our follow-up.

The Corporation's internal audit unit was planning a compliance review of the Procurement Policy, which is to include a review of its new service agreement practices, by the end of 2012.

Travel, Meals and Hospitality

Recommendation 9

The Municipal Property Assessment Corporation (Corporation) should consult with the Ministry of Finance to determine whether it is the Ministry's intention to have the Corporation comply with the spirit and intent of the government's own directive for the reimbursement of travel, meal, and hospitality expenses. As well, the Corporation needs to adopt more rigour in enforcing its travel, meal, and hospitality policies.

Status

The Corporation advised us that it had fully implemented the government's Travel, Meal and Hospitality Expenses Directive as of January 2011 and provided the directive to all managers to make sure they were aware of the changes and new requirements.

The Corporation informed us that, in January 2010, it added control checks to the IRIS system to flag possible duplicate expenses for investigation. In October and November 2011, the Corporation's Finance Branch reviewed about 31% of the total expenses claimed for these two periods and found that seven meal claims, worth about $110, were in fact duplicated claims. The claims were corrected prior to expense reimbursement. The branch did not identify any subsequent non-compliance and informed us that it planned to continue with compliance reviews on at least 5% of the total expenses claimed on a weekly basis.

Chapter 4
Section
4.09

Ministry of the Environment

Non-hazardous Waste Disposal and Diversion

Follow-up to VFM Section 3.09, *2010 Annual Report*

Background

Non-hazardous waste includes non-recyclable and recyclable materials generated by households and by businesses and organizations in the industrial, commercial and institutional (IC&I) sector. At the time of our 2010 audit, approximately 12.5 million tonnes of non-hazardous waste were being generated in Ontario annually. The IC&I sector generated about 60% of this waste, and households—the residential sector—generated 40%. Non-hazardous waste is managed in two main ways: by disposal (usually in a landfill or incineration) or by diversion (for example, recycling). About two-thirds of the province's disposed waste is deposited in landfills in Ontario, with the rest shipped to landfills in the United States.

Municipal governments are generally responsible for managing waste generated by the residential sector. The IC&I sector and most multi-unit residential buildings are responsible for managing the waste they produce and typically use private-sector companies to transport the waste to landfills or recycling facilities.

The Ontario government, primarily through the Ministry of the Environment (Ministry), is responsible for setting standards for the management of non-hazardous waste through legislation and regulations and for enforcing compliance with these legislative requirements. The Ministry is also responsible for approving new municipal and private-sector waste management sites and facilities and for ensuring that these operations comply with legislative requirements. In Ontario, the management of non-hazardous waste is governed primarily by the *Environmental Protection Act* (EPA), the *Environmental Assessment Act* (EAA), and the *Waste Diversion Act, 2002* (WDA).

Under the WDA, the provincial government has established an arm's-length organization, governed by a board of directors, called Waste Diversion Ontario (WDO). The key responsibility of WDO is to develop, implement and operate diversion programs for certain wastes, as designated by the Minister of the Environment, and to monitor the effectiveness and efficiency of those programs. It does this in conjunction with an Industry Funding Organization (IFO) consisting of industry "stewards"—brand owners and first importers of products that generate the waste. At the time of our 2010 audit, three IFOs had also been established: Stewardship Ontario, for blue box waste and municipal hazardous or special waste; Ontario Electronic Stewardship, for waste electrical and electronic equipment; and Ontario Tire Stewardship, for used tires.

In 2004, the government set a goal of diverting 60% of Ontario's waste from being disposed in landfills by the end of 2008. At the time of our 2010 audit, the combined diversion rate of waste generated by the residential and IC&I sectors was about 24%. This diversion rate ranked Ontario as sixth among the provinces. Waste diversion in the residential sector, at about 40%, had increased fairly substantially since 2002, but this increase had been offset by a drop in the IC&I sector's diversion rate.

We noted that many of the issues that the government identified in 2004 as keys to achieving 60% waste diversion by the end of 2008 had yet to be successfully addressed. Our specific observations were as follows:

- Municipalities (generally responsible for managing residential waste) and households were making progress in diverting waste away from landfills. However, although their overall diversion rate for residential waste was about 40%, we found that individual municipalities' diversion rates reported to us varied significantly, from about 20% to more than 60%. This was mainly due to differences in the frequency and quantity of disposable waste collection, differences in the blue box recyclable materials that were collected and the fact that only some municipalities had implemented organic-waste composting programs. Other differences in municipalities' waste management practices included the following:
    - *Whether a municipality can market its blue box and organic recyclable waste.* Municipalities compete with each other and with the private sector for markets for recyclable waste. The larger municipalities, which can generate significant volumes, are more successful at securing markets than the smaller municipalities and therefore can encourage greater recycling.
    - *Cost.* On average, municipalities reported that the cost of diverting a tonne of blue box recyclable materials was about 40% higher than the cost of disposing of a tonne of waste in a landfill. More than half of the municipalities that responded to our survey indicated that the funding they received under the cost-sharing formula from industry "stewards" to offset some of the costs they incurred for running the blue box program was not sufficient.
    - *Landfill capacity that is available to a municipality.* When waste is collected less often and bag limits are imposed, residents typically divert more waste. For example, one municipality indicated that by collecting recyclable materials weekly and disposable waste every two weeks while imposing a bag limit, it was able to increase its diversion rate by about 20%. But the responses to our survey indicated that municipalities that have sufficient landfill capacity are less likely to limit the frequency of waste collection and impose a bag limit on residents.
    - *Residents' preferences.* Municipal councils are well aware that their constituents want a higher level of waste pickup service and no bag limits regardless of the impact on waste diversion.
- The IC&I sector generated approximately 60% of the waste in Ontario, but managed to divert only about 12% of its waste. Regulations under the *Environmental Protection Act* require large generators to conduct a Waste Audit, prepare a Waste Reduction Work Plan, and implement programs to source-separate waste for reuse or recycling. However, the Ministry had little assurance that the regulations were being complied with for the following reasons:
    - The Ministry did not have adequate information on either the number of businesses or organizations to which the regulation applied or which segments of the IC&I sector generated the largest amounts of waste so that it might target them for inspection.
    - In half of the inspection files we reviewed, there was no evidence that the ministry inspector had reviewed either the Waste Audit or the Waste Reduction Work Plan.

  - The inspections did not assess the extent to which the IC&I-sector businesses were separating recyclable waste or whether the waste that had been source-separated was actually being processed for recycling.
- Organic waste generated by both the residential and IC&I sectors represented almost one-third of the total waste generated in Ontario, but there was no province-wide organic waste diversion program or target, despite the Ministry's having considered establishing a program as early as 2002.
- One in five municipalities that responded to our survey felt that they had insufficient landfill disposal capacity for their residential waste. As well, the existing capacity was expected to be filled more quickly once export of residential waste to Michigan largely ended after 2010 and an additional 1 million tonnes of this waste previously shipped to that state began being deposited in Ontario landfills annually. Opening new landfills within municipalities is not always a viable option, both because they are costly and because residents do not support new landfills.
- The Ministry inspected landfills and non-hazardous waste management sites, facilities and systems against the conditions of their certificates of approval. But we noted that many of these certificates did not reflect changes in standards. Also, in our review of inspection files, we found that numerous examples of non-compliance with the certificates' conditions had been noted, but many of these were not being followed up on a timely basis to ensure that the required changes were made.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

The Standing Committee on Public Accounts held a hearing on this audit in February 2011. In May 2011, the Committee tabled a report in the Legislature resulting from this hearing. The report contained nine recommendations, requesting that the Ministry report back to the Committee with respect to the following:

- when the Ministry estimates it will reach its goal of 60% diversion of Ontario's waste from landfills and whether any additional tools are required for this;
- the Ministry's strategy for increasing the rate of waste diversion in the IC&I sector, including a diversion target and timeline for the sector, ways that the Ministry will motivate businesses and organizations that are not regulated under the *Environmental Protection Act* to improve their diversion rates, and how the Ministry will monitor the businesses and organizations;
- the Ministry's plans for obtaining adequate information on the number of businesses and organizations to which the waste diversion regulations apply and on which of these are the largest waste generators;
- the Ministry's 2011 protocols for field inspectors, including whether inspections are risk-based and target the largest waste generators, how the Ministry tracks whether businesses and organizations have implemented their Waste Audits and Waste Reduction Work Plans, and how the Ministry determines whether businesses and organizations are source-separating waste and whether the source-separated waste is being recycled;
- how the Ministry's new guidelines will increase the diversion of organic waste;
- the Ministry's public consultations on and review of the *Waste Diversion Act, 2002*;
- how the Ministry will improve its oversight of Waste Diversion Ontario (WDO) and whether

it will consider having a senior ministry representative sit on WDO's board of directors; and
- the average time the Ministry takes to approve a certificate-of-approval application under its new approvals system and whether it has a standard for how long it takes to review an application.

The Committee also requested that WDO report back on how it monitors whether its diversion programs are meeting targets, what steps it takes to address setbacks in meeting targets, and how it assesses the waste-diversion information it receives from municipalities and Industry Funding Organizations.

The Ministry formally responded to the Committee in October 2012. A number of issues raised by the Committee were similar to our observations. Where the Committee's recommendations were similar to ours, this follow-up includes the recent actions reported by the Ministry to address the concerns raised by both the Committee and our 2010 audit.

Status of Action Taken on Recommendations

According to information provided to us by the Ministry, some progress has been made in addressing many of the recommendations we made in our *2010 Annual Report*. For example, governance at Waste Diversion Ontario has been strengthened and Ontario's compost framework has been updated to encourage more composting. However, several recommendations will require more time to be addressed fully. In particular, our concerns with regard to diversion of waste in the IC&I sector have yet to be substantially addressed. In this regard, we note that according to Statistics Canada, the waste diversion rate in the IC&I sector in 2008 (the latest year for which information was available) was 12.7%, up only slightly from 12% in 2006. This and recent ministry inspection results suggest that much remains to be done to increase the waste diversion rate in the IC&I sector. The status of actions taken on each of our recommendations at the time of our follow-up was as follows.

WASTE DIVERSION

Residential-sector Waste

Recommendation 1

To further increase diversion of waste in the residential sector, and as part of its current review of the Waste Diversion Act, 2002, *the Ministry of the Environment should work with municipalities, industry "stewards," and other stakeholders to:*

- *increase the availability of reliable and sustainable markets for recyclable and organic waste;*
- *increase capacity within the province to process recyclable materials and organic waste; and*
- *review the current funding formula for the blue box program to ensure that it achieves its objective of municipalities and "stewards" equally sharing costs.*

Status

At the time of our follow-up, the Ministry indicated that in 2011, Stewardship Ontario had undertaken a market development program that identified new opportunities to improve the recycling chain and extract more value from recyclable materials in Ontario. Specifically, the Ministry informed us of the following:

- In spring 2011, Stewardship Ontario issued a Request for Expressions of Interest (RFEI) aimed at identifying new companies with innovative approaches to recycling. More than 60 submissions were received from companies interested in forming commercial relationships with Stewardship Ontario. As part of this initiative, Stewardship Ontario invested $500,000 in a company with a view toward commercializing new plastics recycling technology and, according to the Ministry, was in active discussions with more than 15 other companies.

- Stewardship Ontario provided a loan to an existing plastics recycling company to enable it to relocate and further expand its facility.
- Stewardship Ontario initiated a review of recycling of fibre packaging and the potential to expand collection and recycling of these materials.

As prescribed in the WDA, the blue box funding formula requires industry to fund 50% of the net cost of the municipal blue box program. As noted earlier, more than half of the municipalities that responded to the survey we conducted as part of our 2010 audit indicated that the funding they received under the cost-sharing formula to offset some of the cost they incurred for running the blue box program was not sufficient. At the time of our follow-up, the Ministry indicated to us that any changes to the funding allocation model are proposed through WDO's Municipal Industry Program Committee, on which municipalities and Stewardship Ontario are equally represented, and that a review of the funding formula was under way.

Industrial, Commercial, and Institutional (IC&I) Sector Waste

Recommendation 2

In order to increase waste diversion in the IC&I sector, the Ministry of the Environment should:

- *gather information on the amount and type of waste generated by small and medium-sized businesses and organizations that are not regulated under the* Environmental Protection Act *(EPA) and consider what actions could be taken to reduce the amount of waste that is currently going to landfills;*
- *require those large entities that are regulated under the EPA to publicly report their waste diversion rates. The Ministry should then, as part of its inspection work, assess the accuracy of the rates reported; and*
- *conduct research into successful practices used in other provinces and European countries to divert IC&I-sector waste from landfills. In assessing which practices might be transferable to Ontario, the Ministry will need to balance the environmental benefits with the economic challenges currently being faced by the business community.*

Status

At the time of our follow-up, the Ministry indicated that it was continuing to consider ways of obtaining appropriate information necessary to support diversion policies and programs in this sector, and conducting further jurisdictional research as part of its ongoing policy development work.

The Ministry had also supported the October 2011 launch of the 3RCertified Waste Diversion Certification Program by the Recycling Council of Ontario (RCO), a not-for-profit organization involved in policy, education and work surrounding waste generation and diversion. This program gives businesses and institutions the opportunity to become accredited with the 3RCertified standard by demonstrating conformance to a set of criteria, verified by an onsite evaluation by the RCO. Compliance with the Ministry's regulations for the management of non-hazardous waste is also one of the requirements to achieve base certification under the program.

At the time our report was being finalized, the RCO announced that four organizations in the province had achieved 3RCertification.

Compliance in the IC&I Sector, Scope of Inspections in the IC&I Sector and Enforcement of Other EPA Regulations

Recommendation 3

To improve waste diversion in the IC&I sector, the Ministry of the Environment should:

- *gather data on the number of businesses to which the waste diversion regulations apply and on which of these are the largest waste generators* *to assist both its inspection activities and policy decisions, and ensure that businesses are aware of the requirements of the regulations;*

- *increase the scope of its inspections to include an assessment of the extent to which businesses have implemented their Waste Audits and Waste Reduction Work Plans and whether there has been any increase in the amount of waste diverted; and*
- *verify during inspections and document whether waste management companies are operating under a valid certificate of approval.*

If the Ministry plans to continue not to enforce its regulation that requires large manufacturers, packagers, and importers to implement a packaging reduction plan and its regulation that requires all carbonated soft drinks to be sold in refillable containers, it should consider revoking these regulations.

Status

At the time of our follow-up, the Ministry indicated that, as an overall measure aimed at increasing waste diversion, it was continuing to work with all its partners, including businesses and organizations and the Canadian Council of Ministers of the Environment, to reduce the amount of packaging created.

In our *2010 Annual Report*, we noted that the Ministry did not have adequate information on the number of businesses and organizations to which the EPA's waste diversion regulations applied. This observation prompted us to recommend to the Ministry to gather such information and to ensure that businesses and organizations are aware of the regulatory requirements. At the time of our follow-up the Ministry provided us with the sources of information it uses to identify businesses and organizations covered by the EPA regulations. The Ministry indicated that, based on these sources, it now had an estimate of the number of facilities to which the waste diversion regulations apply. The Ministry also informed us that over the last two years it had begun working with 14 businesses (with a combined total of more than 550 retail locations) to develop company-wide waste diversion programs.

The Ministry also indicated that, in the last two years, it had conducted outreach efforts tailored to individual sub-sectors. For instance, the Ministry had worked with 11 school boards and with the Ontario Hospital Association to customize Waste Audit and Waste Reduction Work Plan guides to help the multiple facilities in each sub-sector meet their regulatory requirements.

In the 2011/12 fiscal year, the Ministry conducted a "re-sweep" of a select number of previously inspected facilities to assess the impact of inspection efforts on, for example, the extent to which the facilities were preparing Waste Audits and Waste Reduction Plans and source-separating required wastes. Out of 104 selected sites, 17 had changed operations or ownership or had closed. Of the remaining 87, only 21 passed the re-inspection. The Ministry informed us that as of August 2012, 65 of the 66 sites that had failed the re-inspection had been brought into compliance. There was an Order issued against the remaining site with a compliance date of August 31, 2012. The Ministry also indicated that based on the results of the re-inspections, recommendations for program improvements would be made.

A number of the inspection files of waste management companies that we reviewed as part of our 2010 audit did not contain evidence that the inspector had checked that the company was operating under a valid Ministry-issued certificate of approval. The Ministry informed us that changes implemented to its inspection tracking and reporting system now ensure that whether waste management companies are operating under a valid certificate of approval is consistently documented within the system.

Lastly, the Ministry indicated to us that, as part of its initiative to reduce unnecessary or obsolete regulatory requirements, it was still considering whether the regulation that requires large manufacturers, packagers and importers to implement a packaging reduction plan and the regulation that requires all carbonated soft drinks to be sold in refillable containers should be revoked.

Organic Waste

Recommendation 4

To increase overall waste diversion in Ontario, the Ministry of the Environment should work with municipalities, businesses and organizations, and private-sector waste management companies to phase in over time a province-wide organic waste diversion program for both the residential and IC&I sectors. As part of implementing the program, the Ministry, in conjunction with these stakeholders, will need to ensure that there is sufficient capacity to process the additional organic waste and that a sustainable market exists for the processed waste.

Status

The Ministry indicated that it had completed consultations with the public and industry on a proposed update to Ontario's compost framework, including appropriate standards for compost, environmental protection measures and other tools to support a sustainable market and processing capacity for organic waste. At the time of our follow-up, the Ministry had released an update to the framework that included changes to compost quality categories and standards, and best practices for the siting, design, operation and maintenance of composting facilities. These changes were to take effect January 1, 2013.

Waste Diversion Ontario

Recommendation 5

To enhance accountability for the achievement of diversion targets for wastes specifically designated under the Waste Diversion Act, 2002, *and to ensure that the reporting of the diversion results against the targets to the Minister is complete and reasonably accurate, the Ministry of the Environment should:*

- *review the operating agreement to ensure that it contains sufficient accountability provisions to require Waste Diversion Ontario to provide an action plan when waste diversion targets are not being met;*
- *ensure that the waste diversion information submitted by municipalities and the Industry Funding Organizations (IFOs) is objectively assessed, including the impact on this information of unregistered collectors that do not submit waste diversion data; and*
- *reconsider its policy of allowing collectors of designated wastes the option of whether or not to register with an IFO.*

Where retailers are charging a specific "eco fee," the Ministry should also reconsider whether they should be required to disclose the amount of the fee on the customer receipt.

Status

On October 25, 2010, after the completion of our 2010 audit, the Minister of the Environment advised WDO of the need to amend its board structure so that it:

- reflected the knowledge and expertise required to oversee waste diversion programs under the *Waste Diversion Act, 2002* (WDA);
- avoided real, potential or apparent conflicts of interest between WDO board members and the programs they oversee; and
- included at least one board member selected from a consumer-focused organization to ensure that a consumer perspective would be brought to the WDO board.

In a letter dated February 9, 2012, the Minister stated that he had accepted in principle the proposal submitted by WDO's board on May 27, 2011, with regard to a new governance structure. WDO transitioned to the new board in April 2012.

In the February 9 letter, the Minister also directed WDO to undertake a detailed review of all diversion program budgets and to regularly monitor expenditures to ensure that there are realistic and cost-effective plans to achieve IFO performance targets. In this regard, WDO is required to report quarterly to the Ministry. The Minister also required WDO to implement an effective monitoring program to review IFOs' annual program performance and the achievement of plan targets, to promptly take corrective action on performance issues and to report quarterly on these matters to the Ministry. At the time of our follow-up, the Ministry informed us that, in addition to the existing requirement for audited financial statements, WDO had begun to implement independent third-party verification of environmental performance and standardized reporting for all waste diversion programs. However, the Ministry also informed us that since the WDA doesn't compel individuals or companies who collect waste to share information on their activities, the third-party verification is limited to those companies that participate in the diversion programs. The audits of the programs for blue box and municipal hazardous or special waste and for waste electrical and electronic equipment had been completed and were being reviewed by WDO before being made public. The audit of the used-tires program had been deferred by WDO pending an evaluation of the performance audits undertaken for the other waste diversion programs.

At the time of our follow-up, no action had been taken on our recommendation to the Ministry to reconsider its practice of allowing collectors of designated wastes the option of whether or not to register with an IFO. The Ministry informed us that it would consider this recommendation as it works toward making the province's waste diversion framework more effective.

The Ministry also informed us at the time of our follow-up that, to investigate whether retailers are charging incorrect or misleading eco fees, environmental compliance officers have been conducting site visits since November 2010 as a follow-up to consumer hotline calls and undertaking mystery shopping activities. The Ministry indicated that it had conducted 1,303 mystery shopping activities as of early January 2012 and that 252 (19%) of the sites involved had been referred to the Ministry's Investigation and Enforcement Branch to assess whether there was evidence of a violation that needed to be referred to the Ministry of Consumer Services for prosecution under the *Consumer Protection Act, 2002*.

WASTE DISPOSAL

Recommendation 6

To increase Ontario's capacity to dispose waste, the Ministry of the Environment should take a leadership role in working with municipalities and other stakeholders to research and adopt alternative waste disposal technologies such as the thermal treatment facilities that are in use in other jurisdictions.

Status

At the time of our follow-up, the Ministry indicated that the province's priority was still to divert as much waste as possible from disposal through the 3Rs (reduce, reuse and recycle). Generating energy from waste is an option that can be considered to help manage the residual waste that remains after diversion. In this regard, the Ministry informed us that regulations that came into effect in 2007 had streamlined the approvals process for pilot and demonstration energy-from-waste facilities. The Ministry indicated that it had approved under these regulations a number of pilot and demonstration facilities incorporating energy-from-waste technologies. For example, in July 2011, a certificate of approval was issued for the York and Durham Regions' energy-from-waste facility. This facility is to have the capacity to receive 140,000 tonnes of residual waste annually and the ability to generate up to 20 megawatts of energy. Also, an approval was issued in October 2011 for the permanent operation of a demonstration energy-from-waste facility in Ottawa.

Monitoring of Waste Disposal Sites and Waste Management Systems

Certificates of Approval

Recommendation 7

To better facilitate compliance with certificates of approval for non-hazardous waste management sites, facilities, and systems, the Ministry of the Environment should:

- *review its existing certificates, especially for the larger or more environmentally risky* *operations, to ensure that they reflect current standards and operations and revise those that need updating;*

- *in cases where numerous amendments have been issued to an existing certificate, consolidate the amendments into one, new certificate;*
- *develop a standard for the time it should take to review certificate-of-approval applications for non-hazardous waste operations and review the outdated application fee it charges to ensure that it reflects the cost of processing the applications; and*
- *collect, follow up on, and review the revaluation of the required financial assurance, especially for the larger operators, on a timely basis.*

Status

At the time of our follow-up, the Ministry indicated that it had completed a review of the Environmental Compliance Approvals (ECAs, formerly certificates of approval) for 32 larger landfill sites that together received more than 85% of the waste destined for landfill in Ontario. The review, according to the Ministry, concluded that most approvals were current and that only one site required a minor update, which was later issued.

Also, the Ministry informed us, as it did in 2010, that it had revised the practice of amending ECAs. A single ECA is now to be issued and is to include the original as well as any subsequent notices of amendment.

The Ministry also informed us that its Environmental Approvals Access and Service Integration Branch had begun providing monthly reports to regional directors on outstanding financial assurance matters to ensure that field staff were following up with ECA holders.

Over the next two years, the Ministry indicated that it planned to continue modernizing the approvals program in ways that would address our other recommendations aimed at developing a standard for the time it should take to review ECA applications for non-hazardous waste operations and reviewing the application fee to ensure that it reflects the cost of processing the applications.

Inspections

Recommendation 8

To improve its monitoring of non-hazardous waste management operations for compliance with legislative requirements, the Ministry of the Environment should:

- *impose time frames for corrective action where inspections detect cases of non-compliance, and follow up to ensure that the required remedial action has been taken within the required timelines; and*
- *ensure that time-sensitive materials such as annual reports from non-hazardous waste management operations are submitted and reviewed on a timely basis.*

Status

At the time of our follow-up, the Ministry had implemented updated monitoring procedures, including a time frame for finalizing actions of 45 to 60 days from sign-off of inspections that detect cases of non-compliance. The updated procedures were communicated to staff in February 2011. Training sessions for environmental officers on the updated monitoring procedures were held during spring 2011. The Ministry indicated that the training also covered the Ministry's data system functionalities that track and provide automated alerts on the status of abatement actions. According to the Ministry, through the combination of training and better tracking of the status of abatement actions, it had improved the documentation and follow-up of remedial actions where inspections detect non-compliance.

The Ministry had also developed a risk-based approach to address the submission and review of annual reports from waste disposal sites. Environmental officers were trained in March and April 2011 on the new procedures for annual report assessment. According to the Ministry, the training provided to environmental officers, together with guidance material developed for the stakeholder community to improve the quality of submissions, had led to a more effective review process.

MEASURING PROGRESS IN WASTE DIVERSION

Recommendation 9

The Ministry of the Environment should assess the benefits of adopting an alternative performance indicator, such as the per capita waste disposal rate, because it is more straightforward to calculate and is likely a more accurate and reliable measure of waste diversion in Ontario that will facilitate benchmarking progress relative to other jurisdictions.

Status

At the time of our follow-up, the Ministry indicated that it was using a variety of waste diversion data sources to assist in evaluating waste diversion progress, including data from Waste Diversion Ontario, Statistics Canada, municipalities and waste management companies, as well as information from the Ministry of Finance on the Ontario Deposit Return Program. The Ministry informed us that it was continuing to assess the benefits of a range of performance indicators related to waste diversion, including the use of a per capita waste disposal rate.

Chapter 4

Section

4.10

Ministry of Health and Long-Term Care

Organ and Tissue Donation and Transplantation

Follow-up to VFM Section 3.10, *2010 Annual Report*

Background

In the 2011/12 fiscal year, almost 1,000 organs were transplanted from almost 550 donors at the eight Ontario hospitals that perform transplants. As of March 31, 2012, more than 1,500 Ontarians were waiting for organs, most of them for a kidney or a liver. As well as saving or enhancing lives, transplants can save money. For example, each kidney transplant surgery cost about $25,000 at the time of our 2010 audit. The same year, however, the cost of dialysis—a mechanical procedure carried out frequently to cleanse the blood of a person whose kidneys have failed—was about $70,000 a year.

The Trillium Gift of Life Network (Network), which has a staff of about 130, was established in 2002 as an agency of the Ministry of Health and Long-Term Care (Ministry) to co-ordinate the donation of organs and tissue, which includes eyes and bones. Funding to the Network and the eight hospitals for transplants in the 2009/10 fiscal year was about $100 million. Our 2010 audit assessed whether there were adequate policies, procedures and systems in place to meet the organ and tissue needs of Ontarians in an efficient and fair manner.

As we reported in our *2010 Annual Report*, initiatives by the Network, the Ministry and the transplant hospitals had improved the province's ability to meet organ- and tissue-transplant needs. As demand exceeds availability for many organs, the willingness of families of deceased people to donate organs is critical. Since the Network's establishment, the number of deceased donors has increased from 11.3 to 16.7 donors per million people. Nevertheless, our 2010 audit suggested certain changes that could be made to reduce wait times for organs, thus saving lives and improving patients' quality of life.

Our findings included the following:

- There was no periodic independent review of the Network's allocation of organs. Oversight of transplant activities on a province-wide basis needed to be enhanced to help ensure that patients were consistently prioritized on wait lists and that the highest-priority patient received the first available compatible organ. In more than 40% of the cases we reviewed, the highest-priority patient did not get the organ, and no reason for this decision was documented.
- Forty hospitals generally did not refer potential donors to the Network even though they had the medical equipment necessary to maintain organs until transplant.
- For years, many Ontarians signed the donation-consent part of their driver's licence and kept it in their wallet. However,

this type of consent was not included in the Ministry's consent registry, which the Network uses to determine if a potential donor has given consent.

- There was a lack of consistent clinical criteria regarding the time when hospitals should refer potential donors to the Network, resulting in many referrals being made too late or not at all.
- Only 15,000 of the 4 million Ontarians who still have red-and-white OHIP cards had their consent registered with the Ministry (almost certainly because this required mailing in a separate form to ServiceOntario), while 1.9 million people with photo OHIP cards had registered (because people are specifically asked during the application/renewal process if they want to register). Consent-registration rates also varied significantly among regions, from less than 10% in Toronto to more than 40% in Sudbury.
- Hospitals indicated that patients requiring organs were not always referred so that the transplant hospital could determine whether the patient was eligible to be placed on a transplant wait list. For example, only 13% of dialysis patients were on a kidney wait list, and rates varied from only 3% in the South East Local Health Integration Network (LHIN) to 16% in the Champlain LHIN.
- Instead of being allocated to the highest-priority patient province-wide, kidneys and livers generally stayed in the same region in which they were donated. As a result, for example, 90% of kidney recipients received the organ within four years in one area of the province, while those in two other regions waited about nine years. Wait times by organ type were generally not publicly available.
- Transplant hospitals did not have electronic access to donor information such as medical history and laboratory results, which is necessary to determine organ viability for potential recipients. Instead, they generally relied on the Network to verbally communicate this information, increasing the risk of decisions being based on incomplete or inaccurate information.
- Less than 8% of tissue needed for transplant in Ontario actually came from Ontario donors because of a lack of resources to recover, process and store it. Instead, Ontario hospitals purchased tissue primarily from the United States and Quebec.
- One Ontario hospital performed only six transplants in a year, and although Ontario does not stipulate a minimum yearly number of transplants to ensure a hospital remains proficient, the U.S. minimum requirement is generally 10.

We made a number of recommendations for improvement and received commitments from the Network and the Ministry that they would take action to address our concerns.

Status of Actions Taken on Recommendations

The Network and the Ministry provided us with information in the spring and summer of 2012 on the current status of our recommendations. According to this information, some progress was made in implementing all of the recommendations in our *2010 Annual Report*, with significant progress in areas such as simplifying the consent registration process and using kidney pumps to increase the viability of kidneys from deceased donors. While more hospitals are now required to report potential organ and tissue donors to the Network, it will take additional time to fully address and implement this and several of our other recommendations. Some actions depend on the interprovincial–territorial response to the national organ and tissue donation and transplantation plan released in April 2011 by Canadian Blood Services.

The current status of the actions taken by the Network and the Ministry is summarized following each recommendation.

ORGANS

Identifying and Referring Donors

Recommendation 1

To increase the number of organs available to individuals waiting for a transplant, the Trillium Gift of Life Network (Network) could enhance the identification of potential organ donors through such means as:

- *determining whether all 61 hospitals with advanced ventilator capacity (necessary to maintain the viability of organs for transplant), rather than just the current 21 hospitals, should be required to notify the Network of potential organ donors, in accordance with the recommendation of the Ministry of Health and Long-Term Care's Organ and Tissue Transplantation Wait Times Expert Panel;*
- *developing and implementing consistent, appropriate clinical criteria, in conjunction with hospitals, to assist physicians in knowing when to notify the Network of potential donors;*
- *using existing provincial systems, such as CritiCall, a referral service for critically ill patients, and the Emergency Neurosurgery Image Transfer System, used to remotely view the computed tomography (CT) images that can confirm brain death, to help identify potential donors; and*
- *working with all stakeholders—including the Ministry, hospitals, and physicians—to ensure that there are sufficient financial incentives to encourage more widespread identification and reporting of potential donors.*

Status

At the time of our follow-up, the Network said that the requirement to report potential organ donors was being expanded to all hospitals that have advanced ventilator capacity. As of summer 2012, 18 more hospitals were notifying the Network of potential organ donors, and another 10 were expected to start by the end of the 2012/13 fiscal year. The remaining hospitals with ventilator capacity were expected to begin notifying the Network in the 2013/14 fiscal year.

The Network indicated that updated clinical triggers, which assist physicians in identifying when to notify the Network of potential donors, were reviewed and endorsed by the Network's Donation Steering Committee in fall 2011. The Network noted that the revised triggers were being incorporated into the policies of all hospitals required to report potential organ donors to the Network. The Network also planned broader consultations to ensure acceptance of the criteria, and indicated that it may further revise the triggers after the consultations end in December 2012.

The Network said it planned to review opportunities to integrate organ donation and end-of-life care, including ways to leverage the Emergency Neurosurgery Image Transfer System and CritiCall, during the 2012/13 fiscal year. The Network noted that the Executive Director of CritiCall was a member of the Network's Donation Steering Committee.

The Network said it worked with the Ontario Medical Association and physicians, in consultation with the Ministry, to identify gaps and opportunities in the current physician fee schedule to encourage doctors to identify and report potential organ donors. The Ministry determined that the physician fee schedule already includes fees covering this area—but that physicians may not be aware that it does because they seldom bill for it. The Ministry expected the Network to clarify with physicians when these fees can be billed and further indicated that it will monitor the implementation of the Health System Funding Strategy for hospital funding opportunities related to the identification and reporting of potential donors.

CONSENT

Recommendation 2

To help improve consent rates for potential organ donation, the Trillium Gift of Life Network (Network) should:

- *work with the Ministry of Health and Long-Term Care, the Ministry of Transportation, and ServiceOntario to change the system of obtaining consent at the time of driver's licence renewal to enable persons to be added to the donor registry, because neither the Network nor hospitals have access to the donor card previously sent with licence renewals that many people sign and keep in their wallet;*
- *determine, in conjunction with the hospitals, the best approaches to increasing consent rates at the hospitals, especially in those areas of the province where consent rates are low—for example, by identifying specific individuals who have an aptitude for or training in successfully requesting consent; and*
- *consider implementing a "mandatory ask" policy, along the lines of a policy used in the United States, which would require that the next of kin of every potential organ donor be asked for consent before the removal of life support.*

Further, the Ministry of Health and Long-Term Care should simplify the process by which people register consent to be an organ donor, such as by implementing an on-line consent registry similar to those available in British Columbia and other jurisdictions.

Status

In fall 2010, the Network, in collaboration with ServiceOntario and the ministries of Transportation and Health and Long-Term Care, began mailing donor-registration forms with prepaid return envelopes to persons renewing their driver's licence. The Network indicated that the response rate has been much higher, with 4.3% of people signing their consent and returning the forms to ServiceOntario between December 2010 and March 2012. The Ministry further noted that the Network and ServiceOntario launched a pilot project in which ServiceOntario counter staff ask people who renew a driver's licence or obtain an Ontario photo health card if they wish to register as potential donors. The Network and ServiceOntario were planning to expand this practice province-wide by March 2013.

In May 2011, the Network began to monitor the effectiveness of all staff involved in obtaining consent from families of potential donors, and found that staff with Network training and experience were more successful at obtaining consent than health-care professionals with no training in this area. The Network's policy endorses its staff approaching families for consent, but also says that a discussion is required between Network staff and the health-care team of a potential donor to determine who should approach the family, and how best to do it. The Network provides quarterly training sessions for staff, and monitors all staff involved in obtaining consent to identify areas where additional follow-up training is necessary. The Network also noted that it held a workshop in March 2012 to help ensure staff have the appropriate knowledge and understanding to deal with families and health-care professionals from diverse cultural backgrounds.

To improve consent rates, the Network's Donation Steering Committee endorsed a "mandatory ask" policy in summer 2012 whereby consent to donation must be requested of all potential donors before the withdrawal of life-sustaining therapy. The Network also indicated that it was reviewing situations where organ donations do not proceed because a potential donor's family does not support the person's previously registered consent decision, to see if it can devise strategies for ensuring that decisions are fully informed while the family's rights are still respected.

The Ministry said an online donor registration system was implemented in spring 2011, and that more than 44,000 people used it to register their consent between June 2011 and April 2012. Also, the Ministry, working with the Ministry of Government Services and ServiceOntario, made online registration accessible through mobile telephone and computing devices in April 2012. As well, the Network is working on an electronic "grass roots" social media campaign, whereby interested individuals can encourage others to register their consent to be organ and tissue donors.

ORGAN WAIT-LISTS

Recommendation 3

To enhance its management of the wait-lists for organ transplants, the Trillium Gift of Life Network (Network), in conjunction with transplant hospitals and physicians, should:

- *develop target time frames for provincial priority rating scales for organ transplants, as recommended by the Ministry of Health and Long-Term Care's Organ and Tissue Transplantation Wait Times Expert Panel;*
- *determine the best way to communicate referral criteria to non-transplant physicians, so that individuals who would benefit from a transplant (including from a quality-of-life perspective) are added to the wait-list; and*
- *require hospitals to enter on the Network's system the reason for taking a patient off the wait-list, and periodically review, by hospital, the number of patients removed from the wait-list because they die or become too ill for a transplant, to determine whether actions can be taken to minimize the incidence of such cases.*

Status

At the time of our follow-up, the Network said it had initiated a review of national and global practices for establishing target wait times for organ transplants. In conjunction with clinical experts, the Network plans to use this information to help determine by fall 2013 the appropriate use of wait-time information for transplant patients. The Network noted that the development of target wait times also requires standardized organ-transplant listing criteria and organ-allocation practices.

The Network indicated that its organ-specific working groups identified consistent practices for adding patients to transplant wait lists, and are working on standardized referral criteria. Once referral criteria are developed for all organs, the Network plans to develop a communication and implementation strategy, and expects to begin communicating with referring physicians by the end of the 2012/13 fiscal year.

The Network noted that its organ-specific working groups were developing standardized processes to remove patients from wait lists, including documentation of the reasons for removal, and it expected to have the processes for all organ wait lists in place by the end of the 2012/13 fiscal year. Once that is done, the Network said it plans to periodically review on a hospital-by-hospital basis the number of patients removed from wait lists because they die or become too ill for a transplant to see if there are any ways to minimize the incidence of such cases.

ALLOCATION OF ORGANS

Recommendation 4

To better ensure that organs are allocated in an efficient and equitable manner, the Trillium Gift of Life Network (Network) should:

- *in conjunction with the transplant hospitals, review kidney and liver allocations, with a view to having one province-wide wait-list (rather than up to five regional wait-lists) for each organ, so that the highest-priority patient in the province, based on clinical evidence, receives the first suitable organ available, and transplant program sustainability is maintained;*
- *have periodic independent reviews conducted of organ allocations, to ensure that either the highest-priority compatible patient received the organ or there was a valid reason for allocating the organ to another patient; and*
- *provide information to the eight transplant hospitals on organs made available but not accepted by them, so that the Network and the*

hospitals can monitor the acceptance rates and determine whether any changes are needed to the process for offering and accepting organs.

Status

At the time of our follow-up, the Network indicated that a single wait list for liver transplants was being developed and would likely be implemented by the end of summer 2012. With respect to persons waiting for kidney transplants, a working group was evaluating the effect of sharing kidneys among the five regions and had agreed in principal to move toward a single province-wide wait list. The Network expected to have in place by winter 2013 a system that alternates between allocating one kidney locally and one provincially.

With respect to conducting independent reviews to ensure that either the highest-priority patient receives the organ, or a valid reason is identified for allocating it to another patient, the Network noted that a quality committee would be formed to consider a system for periodically reviewing organ allocation. The Network expected this process to be established by the end of the 2012/13 fiscal year. In the interim, the Network stated that it has improved its chart documentation to better identify the rationale for allocating an organ to a patient who does not have the highest priority, and is conducting internal audits of organ allocations.

The Network expected that changes to its current database to track the number of organs accepted and declined by the eight transplant hospitals would be in place in the 2013/14 fiscal year. The Network indicated that, once available, it planned to share this information with all transplant hospitals.

EFFICIENCY OF THE ORGAN DONATION PROCESS

Recommendation 5

To improve the efficiency of the organ donation process and avoid delays that may harm the viability of donated organs, the Trillium Gift of Life Network (Network) should:

- *determine the feasibility of providing transplant hospitals with simultaneous electronic access to information required to facilitate the physician's assessment of the compatibility of the donor and a potential recipient, such as the donor's laboratory test results;*
- *review the costs and benefits of implementing a system capable of tracking the information required to oversee the organ donation process, including the time taken for each stage of the donation process from identification of the potential donor to the time of transplant (compared against target times), and the reasons for any delays; and*
- *review research on current best practices with respect to the use of kidney pumps when transporting donated kidneys to transplant hospitals and track the use of such pumps.*

Further, the Ministry of Health and Long-Term Care should review its agreement with the air ambulance provider, Ornge, and, in conjunction with the Network, clarify Ornge's transportation responsibilities with respect to organ transplantation.

Status

At the time of our follow-up, the Network indicated that it had conducted a competitive process and expected to have a more comprehensive donor-management system in place by the end of the 2012/13 fiscal year. Once implemented, the system will enable the sharing of donor data via email with transplant hospitals, which helps assess the medical suitability of a donor organ. The Network anticipated that further work will be done in the 2013/14 fiscal year to electronically share donor information with the transplant programs at subsequent stages of the organ donation process.

The Network expected that the new donor-management system would also facilitate the measurement and reporting of more indicators, including time spent on each stage of the donation process, from identification of a potential donor to the time of transplant, and reasons for any delays.

The Network said that it completed its review of best practices for kidney-pump use and as of March 31, 2012, all transplant hospitals have agreed to use the pumps to preserve kidneys from deceased donors. The Network has also begun tracking use of the devices, and has identified preliminary measures for monitoring and evaluating their use, which will be discussed at future meetings of its Kidney/Pancreas Working Group.

The Ministry stated that the Network and Ornge air ambulance are developing a formal service agreement to standardize processes for organ transport. The Ministry expected a draft agreement would be ready for its review in January 2013.

TISSUE

Recommendation 6

To help ensure that there is an adequate supply of quality tissue, such as bones and eyes, to meet the needs of Ontarians and reduce reliance on tissue purchased from other jurisdictions, the Trillium Gift of Life Network (Network) should:

- *increase the number of hospitals required to report potential tissue donors to the Network and, in conjunction with the hospitals, develop more specific clinical triggers (such as age criteria) to help hospitals determine which patients should be referred to the Network as potential tissue donors;*
- *review the process of obtaining consent for tissue donation, in conjunction with the hospitals, with a view to increasing consent rates; and*
- *reassess, in conjunction with the tissue banks, the screening processes used to determine tissue viability so that non-viable tissue is identified as quickly as possible.*

Further, the Ministry of Health and Long-Term Care, in conjunction with the Network and the tissue banks, should:

- *assess the costs and benefits of implementing a centralized tissue bank, which would help ensure that, after consent is received, tissue is recovered, processed, and stored safely and efficiently; and*
- *consider whether specific funding should be provided to offset the costs incurred by hospitals and to compensate physicians for their time with respect to tissue donation and banking.*

Status

At the time of our follow-up, the Network said that the additional hospitals required to refer potential organ donors to the Network also have to refer potential tissue donors to the Network. As well, the Network stated that it requires reporting of all deaths occurring at designated hospitals, but that it would consider in the 2012/13 fiscal year the implications of moving to more specific clinical triggers for reporting potential tissue donors. The Network planned to establish a Tissue Working Group, which would begin meeting in fall 2012, to increase tissue donation through effective donation, recovery and banking practices.

With respect to obtaining consent for tissue donation, the Network tracked the consent rates for its staff and hospital staff in 2011, and found that Network staff obtained an average consent rate of 50% while untrained hospital staff obtained 4%. The Network said it shared this information with the hospitals to emphasize the importance of having the Network approach families for consent. The Network indicated that in the 2011/12 fiscal year, it approached almost 75% of potential tissue donors, while hospitals spoke to the rest.

At the time of our follow-up, the Network noted that it was working with various Ontario tissue banks to define and implement "exclusion criteria" to help identify tissue that is not viable and therefore should not be referred for tissue donation. The Network anticipates that this will streamline workload and ensure that only relevant referrals are made to the tissue banks.

The Ministry indicated that it was reviewing, in conjunction with the Network and other provinces and territories, the April 2011 national plan of the Canadian Blood Services for organ and tissue donation and transplantation. The plan recommends a restructured tissue system, including nationally centralized tissue banking. At the time of our follow-up, the Ministry expected that an interprovincial–territorial response to this plan would be completed by fall 2012, and therefore it was not planning to otherwise assess the costs and benefits of a centralized tissue bank.

The Ministry said it met with the Network and physicians who recover tissue donations to discuss reimbursements to physicians performing tissue recovery. The Ministry concluded that the current physician payment schedule included sufficient fees for tissue recovery and that it, the Network and the Ontario Medical Association had to be more proactive in making physicians aware of these fees. The Ministry indicated that hospital funding for tissue recovery may need to be considered in future as the Health System Funding Strategy is implemented.

PERFORMANCE MONITORING

Recommendation 7

To provide additional assurance that organ and tissue transplantation in Ontario is meeting the needs of patients safely and efficiently, the Ministry of Health and Long-Term Care (Ministry), in conjunction with key stakeholders, including the Trillium Gift of Life Network, transplant hospitals, and transplant physicians, should determine the best structure for providing effective oversight for organ and tissue transplantation in Ontario, as recommended in the 2009 report of the Ministry's Organ and Tissue Transplantation Wait Times Expert Panel. As well, performance indicators for transplant activity in Ontario—such as wait times for transplant by organ, number of transplants performed by hospital and patient survival rates by hospital—should be established and made publicly available.

Status

At the time of our follow-up, the Ministry stated that oversight of transplant activities in Ontario was a collaborative effort between the Ministry and the Network. In this regard, the Network established donation and transplant steering committees, as well as organ-specific working groups, to help implement an integrated structure for effective management of organ and tissue donation and transplantation in Ontario. The Ministry also indicated that, in conjunction with the Network, it is reviewing the April 2011 national plan of the Canadian Blood Services for organ and tissue donation and transplantation. The plan includes recommendations related to the oversight of donation and transplantation, and the Ministry expected that an interprovincial–territorial response to this plan would be completed by fall 2012.

At the time of our follow-up, the Network's website had data on organ transplant wait lists as well as on the number of patients who received a transplant, broken down by categories such as age and gender. The Ministry noted that the Network is consulting with transplant hospitals to establish the means and timelines for publicly reporting hospital-based transplant statistics, including the number of transplants performed by each hospital. However, the Ministry indicated that public reporting of other data, such as wait time for transplant by organ type and life expectancy after transplant, would require more time because of factors that included the need to develop consistent data definitions and implement information technology changes. In this regard, the Ministry noted that the Network's Transplant Steering Committee and its organ-specific working groups were developing standard definitions for wait times that it expected would be drafted by spring 2013.

Chapter 4
Section 4.11

Ministry of Education

School Safety

Follow-up to VFM Section 3.11, *2010 Annual Report*

Background

A learning environment that is not physically and psychologically safe can adversely affect not only a student's safety but also his or her motivation to learn. The impact of bullying, for example, can be severe: victims may have to deal with such issues as social anxiety, loneliness, physical ailments, low self-esteem, absenteeism, diminished academic performance, depression and, in extreme cases, thoughts of suicide. A 2009 survey of Ontario students in Grades 7 through 12 by the Centre for Addiction and Mental Health identified that almost one in three students has been bullied at school and approximately one-quarter of students have bullied others at school.

Our audit in 2010 focused on the adequacy of activities undertaken by the Ministry of Education (Ministry) and selected school boards (Durham District School Board, Sudbury Catholic District School Board and Toronto District School Board) to improve the safety of Ontario schools. Our work indicated that a number of initiatives had been taken to address safety issues in Ontario's schools. These initiatives included new legislation, teacher training and targeted school safety funding. However, neither the Ministry nor the three school boards or various schools we visited were collecting sufficient information on whether these initiatives were having an impact on student behaviour. We concluded that better information on the success of its initiatives would help the Ministry to allocate funding to the areas of greatest need. Some of our other key observations were as follows:

- The Ministry allocated $34 million—about two-thirds of its total annual school safety funding—to two initiatives focused on assisting suspended, expelled, and other high-risk students. Most of this funding was allocated based on total board enrolment rather than on more targeted factors such as the actual number of students needing assistance.
- The percentage of students that had been suspended in each board ranged from 1% to more than 11% of the student population, which may explain why some boards underutilized their funding by as much as 70%. A comparison of provincial and school board data on suspension rates to a recent anonymous provincial survey of students suggests, however, that school administrators were not aware of the extent of serious safety issues in some schools, such as the incidence of students being threatened or injured with a weapon. Most senior safety staff at the school boards we visited, as well as administrators at the schools we visited, said that the discrepancy was due to a lack of reporting by students, possibly because of fear of reprisals, and that more needed to be done to facilitate student reporting of incidents.

- The Ministry had established requirements for school boards and schools pertaining to the application of escalating discipline for students who had repeatedly violated school safety policies. Despite significant differences in suspension rates among boards and among schools we visited, neither the Ministry nor the boards we visited had formally analyzed the differences in suspension rates to assess whether progressive discipline policies were being applied consistently by Ontario's 72 publicly funded school boards.
- An evaluation of a program that stations police officers in schools identified an improvement in relationships between students and police. The majority of school administrators we interviewed indicated that having an officer in the school improved school safety and that expansion of such programs should be considered.

We made a number of recommendations for improvement and received commitments from the Ministry and the school boards that they would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information received from the Ministry and each of the three school boards we visited during the audit, progress has been made on implementing all of the recommendations in our *2010 Annual Report*, with substantial progress made on several. For example, the Ministry now monitors specific program funding through progress reports received from boards and by analyzing data to assess activities and how funds were spent to support school safety initiatives. In addition, as part of the initial investigation into the variations in suspension rates within boards and across the province, the Ministry held eight regional data sessions across the province for Ontario's publicly funded boards in March 2011 and again in spring 2012. These regional sessions focused on strategies for maintaining consistency in enforcing suspensions and expulsions, sharing best practices, and dealing with the challenges in designing and implementing school safety programs. Also of significance is the passing of the *Accepting Schools Act, 2012* in June 2012. This Act encourages stronger actions to create a safe and inclusive environment in all schools.

The status of actions taken on each of our recommendations is described in the following sections.

SCHOOL SAFETY INITIATIVES

Recommendation 1

To ensure that school safety funding is used effectively to achieve program goals to improve school safety, the Ministry of Education and, where appropriate, school boards should:

- *reconsider the appropriateness of allocating, on the basis of enrolment, the majority of school safety funding primarily to assist suspended, expelled, and other high-risk students, given that the ratio of such students to total enrolment may vary significantly among school boards;*
- *for other specific program funding, ensure that the funds are allocated based on identified needs and follow up to verify that the funds provided are being spent for the intended purpose; and*
- *obtain and share information on the success of initiatives such as Student Support Leadership and police officer placements in schools, and determine whether a more significant co-ordinating role for the Ministry is appropriate to enhance their effectiveness.*

Status

While the main focus of school safety funding has been to provide supports for students who have been expelled or given long-term suspensions, funds can be used for a variety of programs, including those to support at-risk students who exhibit behaviours that might lead to suspension or expulsion. The

Ministry noted that it continues to work with boards and its other partners to identify student needs and fund specific initiatives to address those needs. The three boards we visited in 2010 informed us that ministry funding was allocated to each school based on factors such as the overall board strategy, board-supported initiatives and individual school needs. However, the Ministry acknowledged that more consistent, reliable information is required to ensure that funds are appropriately allocated on the basis of student needs. In this regard, the Ministry has been engaged in extensive activities designed to enhance the quality of student information.

The Ministry requires detailed reporting on all safe schools initiatives on an ongoing basis that outlines, in addition to financial information, program activities and outcomes. It monitors specific program funding through progress reports received from boards and by analyzing data to assess program activities and how funds were spent to support school safety initiatives. The Ministry is examining the possibility of conducting spot audits to further ensure that the funds provided for these initiatives are spent for the purposes intended.

The Ministry supports partnerships between school boards and other community groups through its Student Support Leadership Initiative. This initiative helps clusters of school boards and community agencies provide supports outside the classroom that promote positive student behaviour. Focusing on the prevention of at-risk behaviours in 2011/12, the clusters invited leaders of municipal services that offer services for children and youth, such as parks and recreation and public health, to participate. These clusters submitted mid-year reports noting their accomplishments and will submit final reports in fall 2012. Clusters are also completing a self-evaluation of their 2011/12 activities that will help them to continue with their activities once the financial support from the Student Support Leadership Initiative comes to an end.

Since 2010, the Ministry has gathered and shared information on the success of school safety initiatives through a variety of other means, such as:

- hosting the Urban and Priority High Schools Symposium for participating schools to share information on leading practices and challenges (the Ministry intends to produce an annual newsletter related to this symposium);
- developing and distributing *Promoting a Positive School Climate*, which provides an evidence-based list of practical ideas for Safe Schools Teams to consider in their efforts to develop and maintain a positive climate for students; and
- establishing a safe schools working group that now holds regular teleconferences.

The Ministry also worked with the Ministry of Community Safety and Correctional Services and police services partners to negotiate and release a revised *Provincial Model of the Police/School Board Protocol* in January 2011. The Ministry has helped boards form partnerships with police services by providing one-time funding for joint training on the revised protocol. In addition, the Ministry of Community Safety and Correctional Services provided $1.68 million for a Safe Schools Grants program intended to:

- encourage police services, local schools and boards to collaborate on various activities;
- create teams of police, educators, counsellors, health-care professionals, parents and students that will work together to help reduce violence and bullying; and
- help police officers become more active and engaged in school-related activities.

The boards we visited during our 2010 audit provided further detail on their delivery of the Student Support Leadership and other initiatives to encourage continued sharing and implementation of best practices. One board noted that, to encourage the sharing of best practices across cluster members, a number of committees were established that met regularly throughout the school year, including a collaborative practices committee and a committee to plan and hold partnership symposiums. Another board noted that it provided release time for its Safe Schools Teams to meet and analyze surveys to identify and address issues of concern. The third board initiated a Positive Space campaign where each school is to provide a designated room or private area within the school where students can speak freely to an adult representative. By June 2012, one representative from each school was to be trained as a Positive Space representative.

MONITORING COMPLIANCE WITH SCHOOL SAFETY REQUIREMENTS

Recommendation 2

To promote compliance with all school safety legislation and policies designed to provide a safe learning environment for Ontario students, the Ministry of Education should work with school boards to:

- *monitor compliance with required school safety legislation and ministry policies;*
- *ensure that schools have functioning Safe School Teams in place that include representation from all required groups;*
- *investigate significant differences in suspension rates between school boards and schools to assess whether such differences are reasonable and to determine whether additional student disciplinary guidance is necessary to ensure a reasonable level of consistency across the province; and*
- *assess whether requiring periodic updates to criminal background checks for school staff, service providers, and volunteers would enhance the safety of students in Ontario's schools.*

Status

The Ministry informed us that it promotes compliance with school safety legislation, policies and initiatives in a variety of ways, including ongoing discussions with school boards on reporting, monitoring and data-based decision-making. With ongoing dialogue and requirements to report on specific initiatives, the Ministry expects that boards will continue to improve their practices over time. The Ministry monitors compliance by analyzing data to assess board activities and how funds were spent to support school safety.

In the 2010/11 school year, the Ministry began distributing $5 million annually to fund a regionally based school board audit function to help ensure compliance with school safety legislation, policies and initiatives. As of January 31, 2011, audit committees had been established in all boards. The Ministry developed a risk assessment tool, and eight regional internal audit teams were expected to complete a risk assessment using this tool by the end of the 2011/12 school year. As of April 2012, some teams had already completed their risk assessment. All school boards were expected to have internal audits performed in the 2011/12 school year, some of which could have been audits of school safety initiatives if the region's risk assessment determined this area to be a priority.

A memo was sent to all Directors of Education in October 2010 reminding boards of the requirement to have a functioning Safe Schools Team in place with appropriate membership, including the school principal and at least one student, parent, teacher, non-teaching staff member and community partner. In November 2010, the Ministry created the Premier's Safe Schools Awards in order to increase the profile of these teams. For the 2010/11 school year, 10 schools were recognized for the exceptional and innovative work they were doing to create a safe and caring environment. The Ministry is developing various ways to showcase Safe Schools Teams that have received a Premier's Award, highlighting their accomplishments and best practices. Also, the Ministry noted that, through a safe schools working group teleconference in June 2011, boards shared a number of best practices. One of these practices is to require schools to report team membership to the school board, to help ensure the establishment and proper composition of Safe Schools Teams.

One board reported that it has added a requirement that an equity representative be added to every Safe Schools Team to help eliminate biases and barriers that may be related to gender, race, religion, socio-economic background and other factors. For accountability reasons, the schools report the name of the team chair to the board. Also, this board advised us that it provides training for Safe Schools Teams on topics such as creating a positive school climate, its protocol for police–school board partnerships and the use of data to help develop a safety and bullying prevention plan.

In 2011, the Ministry completed an in-depth analysis of school board data by examining suspension and expulsion rates by school and by board and including such student attributes as gender, infraction type, length of suspension and the number of repeat suspensions. The Ministry found, for example, that boys were three times more likely to be suspended than girls and more than 80% of suspensions were coded as "other," which includes such dissimilar violations as fighting, being under the influence of drugs, committing uniform infractions and being late for school.

As part of the initial analysis of the variations in suspension rates within boards and across the province, the Ministry invited each publicly funded board to one of eight regional data sessions held across the province in March 2011. In-depth analysis of suspension and expulsion data continues and subsequent regional sessions were held in spring 2012. The goals of these sessions, which the Ministry intends to hold annually, were to work toward a more consistent application of legislation, regulations and policies in schools and boards and, over time, reduce the differences in suspension and expulsion rates for students with similar types of inappropriate behaviour.

Discussions at the regional sessions focused on strategies for sharing best practices and dealing with the challenges in designing and implementing programs for suspended and expelled students, and on strategies for generating and maintaining consistency among school staff in enforcing disciplinary procedures. For example, one board noted that it collects suspension rates by school, by area and for the whole board mid-year and at the end of the school year. This data is then provided to area superintendants and school principals, and, in camera, to board trustees, for monitoring and decision-making purposes.

A regulation under the *Education Act* requires school boards to collect criminal background checks for all employees and, with the exception of school bus drivers, for service providers who have direct and regular contact with students. School bus drivers do require criminal background checks, however, under the *Highway Traffic Act*. The Ministry of Transportation is expected to remove the licensing requirement for school bus drivers to obtain criminal background checks under the *Highway Traffic Act* effective July 2013. Before that time, the Ministry of Education plans to amend its regulation under the *Education Act* to remove the exemption of school bus drivers from obtaining criminal background checks. In addition to the requirements under the regulations, one board noted that it now requires criminal background checks for all volunteers, with an annual declaration and an updated criminal background check at least every five years. Another board advised us that it was in consultation with its local police force to determine if ongoing updating would enhance safety for students.

MEASURING AND REPORTING ON SCHOOL SAFETY

Recommendation 3

To help in its efforts to ensure that students are educated in a safe environment, the Ministry of Education should work with school boards to:

- *develop measurable objectives and related performance indicators for activities intended to improve school safety, and periodically measure progress in achieving these objectives;*
- *capture data on incidents of inappropriate student behaviour and complaints received, in addition to the information currently collected on suspensions and expulsions, to support the assessment of existing initiatives and identify areas on which to focus future efforts;*

- *conduct school safety surveys to gauge the progress achieved in improving school safety at the provincial and school board levels; and*
- *review existing best practices in Ontario and elsewhere that have been found to be effective in encouraging students to report serious school safety incidents.*

Status

The Ministry engaged a consultant to develop an evaluation framework of indicators for its Safe Schools Strategy. The consultant's February 2011 report to the Ministry included proposed performance indicators and data collection strategies. The model aims to establish interim accomplishments that can indicate whether a program is making progress in the desired direction, given that the ultimate goal is likely to take many years to accomplish. The consultant based the proposed performance indicators on research that included current practices in Ontario and other national and international jurisdictions, as well as best practices in performance measurement.

The Ministry stated that it is committed to implementing a comprehensive evaluation framework to measure the effectiveness of safe schools policies and programs, which would include indicators of students' and parents' perceptions of school safety. To obtain the data to assess these perceptions, the Ministry plans to engage an outside agency to collect and analyze school survey data, starting in the 2012/13 school year, on students' and parents' perceptions of school safety.

The Ministry noted that collecting and analyzing aggregate data at the provincial level helps it to make legislative, policy and program decisions. The Ministry also noted that data collected at the board and school level helps boards and schools make local decisions on programs and implementation strategies that best suit their specific communities. In this regard, the Ministry informed us that it made amendments to its OnSIS database to capture more data from schools on student participation in programs for suspended and expelled students. Also, in May 2011, the Ministry informed boards that they would be required to report data on violent incidents to the Ministry beginning in the 2011/12 school year. The collection of data on student participation in these programs and on incidents will form the basis for the measurement of some of the proposed performance indicators for the Safe Schools Strategy.

In November 2010, the Ministry spent $3.1 million to develop and distribute resource guides to promote a positive school climate. Receipt of this funding was contingent upon the school's having undertaken a survey to assess whether the climate in the school is inclusive and accepting of all pupils, including pupils of any race, gender, creed, sexual orientation or disability.

All three boards reported on the use of school surveys. One board noted that a pilot survey was given to a number of schools in the spring of 2011 and then extended to all of its schools in the fall. The boards noted that the surveys were used for multiple purposes, such as to identify areas of concern that needed to be addressed, to support the development of safety and bullying prevention plans and to assist in the understanding of the school climate in order to improve program planning at the school level.

The Ministry was also involved in the development of legislation that requires board multi-year plans to include goals that promote a positive school climate and bullying prevention. The legislation also requires each board to establish a bullying prevention plan that will include procedures for reporting the incidence of bullying and the range of disciplinary actions a principal may take against a student involved in bullying. The legislation also establishes strategies for protecting a person who witnesses an act of bullying, reports bullying or provides information during a bullying investigation. This legislation, the *Accepting Schools Act, 2012*, which amended the *Education Act*, received royal assent in June 2012.

SCHOOL SAFETY TRAINING

Recommendation 4

To build on the steps taken to date to ensure that school staff are adequately trained to deal with school safety issues, the Ministry of Education should work with school boards to assess whether school safety training delegated to schools is of sufficient depth to meet the needs of school staff.

Status

The Ministry informed us that, in consultation with school boards, it continues to build on the training that it has provided over the last several years with respect to safe and inclusive schools. The Ministry also noted that it is working closely with boards to meet the needs that boards identify in the areas of training and staff development.

The Ministry continues to share, and create opportunities to share, best practices on how to train staff on an ongoing basis. For example, at the regional sessions it was noted that e-learning and the analysis of various scenarios are effective methods of training staff within boards and schools. In May 2011, the Ministry also funded Toronto Police Services to produce a training video on the revised police–school board protocol and provided funding for joint training of school board and police services staff.

All three boards we visited during our audit advised us that they had systems in place to track and provide professional development opportunities for board and school staff. One board developed a central tracking tool that staff use to register for professional learning opportunities found within the board. A second board noted that it provides its schools with consistent school safety training packages related to various initiatives. The third board noted that it provides ongoing training and resources to the Safe Schools Teams in order to support the planning that is being done with school climate surveys to extend the development of a positive climate within its schools.

Chapter 5

Review of Government Advertising

Review of Government Advertising

The government of Ontario is a major Canadian advertiser, spending tens of millions of dollars each year to place advertisements on television, radio, the Internet, billboards and in newspapers and magazines.

The *Government Advertising Act, 2004* (Act) took effect in December 2005 after two years of debate in the Legislature—and several years of discussion prior to that—as legislators questioned the appropriateness of a government spending public funds on advertising that could be considered to further its partisan interests.

The main intent of the Act is to prohibit government advertising that could be seen as promoting the governing party's political interests by fostering a positive impression of the government or a negative impression of any group or person critical of the government. The Act mandates the Auditor General to review and approve most government advertisements before they run to ensure that they comply with the Act's prohibition on partisan advertising and its other standards. The full text of the Act can be found at **www.e-laws.gov.on.ca**.

This chapter satisfies the legislative requirements in the Act as well as in the *Auditor General Act* to report annually to the Legislative Assembly on the work we have done over the past fiscal year to ensure adherence to the Act.

Overview of the Advertising Review Function

Under the Act, the Auditor General is responsible for reviewing specified types of government advertisements to ensure they meet legislated standards. Above all, they must not contain anything that is, or could be interpreted as being, primarily partisan in nature.

The Act outlines standards each advertisement must meet and states that "an item is partisan if, in the opinion of the Auditor General, a primary objective of the item is to promote the partisan political interests of the governing party."

The Act also provides the Auditor General with the discretionary authority to consider additional factors in determining whether a primary objective of an item is to promote the partisan interests of the governing party (see the "Other Factors" section later in this chapter).

WHAT FALLS UNDER THE ACT

The Act applies to advertisements that government offices—specifically, government ministries, Cabinet Office and the Office of the Premier—propose to pay to have published in a newspaper or magazine, displayed on a billboard, or broadcast on radio or television. It also applies to printed matter that a government office proposes to pay to have distributed to households in Ontario using unaddressed bulk mail or another method of bulk delivery. Advertisements meeting any of these definitions are known as "reviewable" items and must be submitted to my Office for review and approval before they can run.

The Act excludes from review job advertisements and notices to the public required by law. Advertisements on the provision of goods and services to a government office, and those on urgent matters affecting public health or safety, are also excluded.

Although the following are not specifically excluded, we have come to a mutual understanding with the government that they are not subject to the Act:

- online advertising; and
- brochures, newsletters, consultation documents, reports and other similar materials or publications.

The Act requires government offices to submit every reviewable item to our Office. The government office cannot publish, display, broadcast, distribute or disseminate the submitted item until the head of that office, usually the deputy minister, receives notice, or is deemed to have received notice, that the advertisement has been approved.

The Auditor General's Office, by regulation, has seven business days to render its decision. If we do not give notice within this time, the government office is deemed to have received notice that the item meets the standards of the Act, and the item may be run.

If my Office notifies the government office that the item does not meet the standards, the item may not be used. However, the government office may submit a revised version of the rejected item for another review. As with the first submission, my Office has seven days to render a decision. Under the Act, all decisions of the Auditor General are final.

Approval of an advertisement is valid for one year, although my Office can rescind an approval if we determine that new circumstances leave the impression that the ad has become partisan.

A pre-review is also available to government offices wishing us to examine an early version of an ad. This can be a script or storyboard, provided that it reasonably reflects the item as it is intended to appear when completed. Pre-reviews help limit the time and money spent to develop ads containing material that could be deemed objectionable under the Act. A pre-review is strictly voluntary on our part and is outside the statutory requirements of the Act.

If material submitted for pre-review appears to violate the Act, we provide an explanation to the government office. If it appears to meet the standards of the Act, we so advise the government office. However, before the advertisement can be used, the government office must submit it in finished form so we can review it to ensure that it still meets the standards of the Act.

STANDARDS FOR PROPOSED ADVERTISEMENTS

In conducting its review, the Auditor General's Office determines whether the proposed advertisement meets the standards of the Act, which are:

- The item must be a reasonable means of achieving one or more of the following objectives:
  - to inform the public of current or proposed government policies, programs or services;
  - to inform the public of its rights and responsibilities under the law;
  - to encourage or discourage specific social behaviour in the public interest; and/or
  - to promote Ontario, or any part of the province, as a good place to live, work, invest, study or visit, or to promote any economic activity or sector of Ontario's economy.
- The item must include a statement that it is paid for by the government of Ontario.
- The item must not include the name, voice or image of a member of the Executive Council (cabinet) or a member of the Legislative Assembly (unless the primary target audience

is located outside Ontario, in which case the item is exempt from this requirement).

- The item must not have a primary objective of fostering a positive impression of the governing party, or a negative impression of a person or entity critical of the government.
- The item must not be partisan; that is, in the opinion of the Auditor General, it cannot have as a primary objective the promotion of the partisan interests of the governing party.

OTHER FACTORS

In addition to the specific statutory standards above, the Act allows the Auditor General to consider additional factors to determine whether a primary objective of an item is to promote the partisan interests of the governing party. In general, these additional factors relate to the overall impression conveyed by the ad and how it is likely to be perceived. Consideration is given to whether it includes certain desirable attributes and avoids certain undesirable ones, as follows:

- Each item should:
    - contain subject matter relevant to government responsibilities (that is, the government should have direct and substantial responsibilities for the specific matters dealt with in the item);
    - present information objectively, in tone and content, with facts expressed clearly and accurately, using unbiased and objective language;
    - emphasize facts and/or explanations, rather than the political merits of proposals; and
    - enable the audience to distinguish between fact on the one hand and comment, opinion or analysis on the other.
- Items should not:
    - use colours, logos and/or slogans commonly associated with the governing party;
    - inappropriately personalize (for instance, by attacking opponents or critics);
    - directly or indirectly attack, ridicule, criticize or rebut the views, policies or actions of those critical of the government;
    - intentionally promote, or be perceived as promoting, political-party interests (to this end, consideration is also given to the timing of the message, the audience it is aimed at and the overall environment in which the message will be communicated);
    - deliver self-congratulatory or image-building messages;
    - deal with matters such as a policy proposal where no decision has been made, unless the item provides a balanced explanation of both the benefits and the disadvantages;
    - present pre-existing policies, products, services or activities as if they were new; or
    - use a uniform resource locator (URL) to direct readers, viewers or listeners to a web page with content that may not meet the standards of the Act (see "Websites" in the following section).

OTHER REVIEW PROTOCOLS

Since taking on responsibility for the review of government advertising, my Office has tried to clarify, in co-operation with government offices, areas where the Act is silent. What follows is a brief description of the main areas that have required clarification over the years.

Websites

Although websites are not specifically reviewable under the Act, we believe that a website, Quick Response Code or similar linkage used in an advertisement is an extension of the ad. Following discussions with the government in 2005, we came to an agreement that the first page, or "click," of a website cited in a reviewable item would be included in our review. We consider only the content of the first click, unless that first click is a gateway page, in which case we review the next page. We examine this page for any content that may not meet the standards of the Act. For example, the page must not include a minister's name or photo, any self-congratulatory messages or any content that attacks the policies or opinions of others.

Third-party Advertising

Government funds provided to third parties are sometimes used for advertising. The government and my Office have agreed that third-party advertising must be submitted for review if it meets all three of the following criteria:

- a government office provides the third party with funds intended to pay part or all of the cost of publishing, displaying, broadcasting or distributing the item;
- the government grants the third party permission to use the Ontario logo or another official provincial visual identifier in the item; and
- the government office approves the content of the item.

Social Media

Social media was in its infancy when the Act came into effect in 2005. However, its use has grown exponentially in recent years. This year, for the first time, our Office received ads for approval with icons pointing to the government's presence on social-media sites. Although the Act is silent on this, we reached an agreement with the government that our Office will perform an initial scan of any social-media channel cited in an ad to ensure that there are no partisan references. However, we recognize that content on these networks changes frequently and can at times be beyond the control of the government office.

Event/Conference Program Advertisements

Government advertisements sometimes appear in programs and other materials distributed at public events such as conferences and trade shows. Our Office took the view that these ads should be subject to the Act because they serve a purpose similar to magazines and other print media. Often, these ads are run free of charge because the government has financially sponsored the event. We therefore consider that the government indirectly paid for the "free" advertisement. The government has agreed with this approach, and these items must be submitted for review.

Government Recruitment Advertisements

As previously noted, the Act excludes job advertisements from review. We have interpreted this exemption as applying to advertising for specific government jobs, but not to broad-ranging generic recruitment campaigns. The government has agreed with our interpretation and, as a result, generic recruitment campaigns must be submitted to my Office for review.

External Advisers

Under the *Auditor General Act*, the Auditor General can appoint an Advertising Commissioner to help to fulfill the requirements of the *Government Advertising Act, 2004*. Instead, my Office has engaged a number of external advisers to assist us in the review of submissions. The following advisers provided services to my Office during the 2011/12 fiscal year:

- Rafe Engle (J.D., L.L.M.) is a Toronto lawyer specializing in advertising, marketing, communications and entertainment law for a diverse group of clients in the for-profit and not-for-profit sectors. He also acts as the outside legal counsel for Advertising Standards Canada, and as Chair of its Advertising Standards Council. Before studying law, Mr. Engle acquired a comprehensive background in media, advertising and communications while working in the advertising industry.

- Jonathan Rose is Associate Professor of Political Studies at Queen's University. He is a leading Canadian academic with interests in political advertising and Canadian politics. Professor Rose has written a book on government advertising in Canada and a number of articles on the way in which political parties and governments use advertising.
- Joel Ruimy is a communications consultant with three decades of experience as a journalist, editor and producer covering Ontario and national politics in print and television.
- John Sciarra is the former director of operations in my Office. He was instrumental in implementing our advertising review function and overseeing our review responsibilities until his retirement in 2010.

These advisers provided valuable assistance in our review of government advertising this past year.

Advertising Review Activity, 2011/12

RESULTS OF OUR REVIEWS

During the 2011/12 fiscal year, we reviewed 565 individual advertising items in 121 final submissions, with a total value of $34.8 million. This includes 38 ads, worth $202,000, that had not been submitted to our Office for review, but should have been. This compares to 165 submissions, comprising 1,082 individual ads, with a total value of more than $50 million last year.

We gave our decision within the required seven business days in all cases. The length of time required for a review and decision can vary, depending on the complexity of the ad and on other work priorities. Nevertheless, the average turnaround time during the past fiscal year was 3.2 business days.

We also examined eight pre-review submissions that contained 11 ads at a preliminary stage of development. Because pre-reviews are voluntary on our part and outside the statutory requirements of the Act, they are second in priority to finished items. We nonetheless make every effort to complete them within a reasonable time. The average turnaround time for these submissions was 5.6 business days.

Of all the final submissions received in the 2011/12 fiscal year, we found two in violation:

- A radio campaign promoting the availability of free vaccinations for the rotavirus was rejected because it loosely resembled a Liberal Party of Ontario commercial that ran prior to the 2011 election on the medical screening of newborn infants. The Ministry of Health and Long-Term Care subsequently reworked the ad and resubmitted it, and we approved it.
- A print and radio campaign about agricultural risk-management programs was rejected because it violated section 6(1)5 of the Act, which says that an ad must not have as a primary objective to "foster a positive impression of the governing party." After quickly reworking the campaign, the Ministry of Agriculture, Food and Rural Affairs resubmitted it and we approved it.

We also rescinded approval for three digital video and television ads that were part of a Ministry of Health and Long-Term Care campaign on medical wait times after the Liberal Party of Ontario released an ad with strikingly similar visuals on the same subject prior to the 2011 election.

We also cited the Ministry of Finance for a violation of the Act after we found that the campaign for Ontario Savings Bonds, which we had earlier approved, contained a change to the approved web page that included a reference to the "McGuinty government." This contravenes section 6(1)3 of the Act, which says ads "must not include the name, voice or image of a member of the Executive Council or a member of the Assembly." The Ministry quickly corrected it.

We also noted contraventions of the Act—advertisements that ran without having first been submitted to us for review. They are as follows:

- The Ministry of the Attorney General advised us that it ran an ad in a publication for lawyers about a new mailing address for the Office of the Children's Lawyer without first submitting it for review. Had the ad been submitted, our Office would have approved it.
- The Ministry of Community and Social Services advised us that it had run an ad over the last six years about ministry services available to Toronto's francophone community without first submitting it for review. Had the ad been submitted, our Office would have approved it.
- The Ministry of Economic Development and Innovation advised us that its advertising agency inadvertently released an ad for publication although it had not yet been submitted to our Office for review. This ad was part of a large international campaign whose other elements were submitted to and approved by our Office. The Ministry and agency advised us they have since adopted new procedures to ensure this does not happen again. The ad in question was subsequently submitted and approved by our Office.
- We discovered through our expenditure-gathering process that the Ministry of Natural Resources ran 34 radio ads that it did not submit to our Office for review. The Ministry explained that these ads were about urgent matters regarding forest fires and therefore exempt from review under subsection 2(5) of the Act. We reviewed the ads and determined that 12 of them did not qualify for the exemption as they focused on fire prevention which, in our opinion, did not meet the intent of the Act with respect to the exclusion of urgent messages. While our Office prefers to be notified prior to the government running an ad on an urgent matter, it may not always be practical. We have therefore established an urgent-advertising process with the Ministry, whereby our Office will be provided copies on a monthly basis of any urgent-advertising run.
- The Ministry of Tourism, Culture and Sport ran 23 ads in various media about Huronia Historical Parks and Fort William Historical Park without first submitting them to our Office. These attractions are part of the Ministry and therefore covered by the Act. These contraventions occurred in April, May and June 2011. Since we raised this issue with the Ministry in July 2011, it has been submitting such advertising for review.

OTHER MATTERS

Online Advertising

Online advertising has become an integral part of most marketing campaigns. Many of the government's large advertising campaigns include an online component and some campaigns even run entirely online. The Act does not cover online advertising. In the past, we have seen government online campaigns that would have been in violation of the Act if they had been submitted to our Office for review. In the 2011/12 fiscal year, the government spent more on Internet advertising than it did for advertising on television (excluding production costs). As the government's online advertising increases, we believe its exemption has become a significant loophole in the legislation that should be addressed if the intent of the Act is to be met for all government advertising. Our expenditure reporting at the end of this chapter does not include any Internet costs. We believe the time has come for the government to amend the Act to include Internet advertising.

Revised Government Advertising Guidelines

In the fall, our Office released updated Advertising Review Guidelines. The revised Guidelines provide government offices with an overview of the Act, explain our processes for submitting advertisements for review, and provide clarification on certain sections of the Act. They also reflect evolving practices adopted since the Act took effect seven years ago. We have posted the Guidelines on our website to provide ready access to staff in government offices.

Expenditures on Advertisements and Printed Matter

The *Auditor General Act* requires that the Auditor General report annually to the Legislative Assembly on expenditures for advertisements and printed matter reviewable under the *Government Advertising Act, 2004*.

Figure 1 contains expenditure details of advertising campaigns reported to us by each ministry. In order to test the completeness and accuracy of the reported advertising expenditures, my Office reviewed selected payments to suppliers of advertising and creative services and their supporting documentation at selected ministries. We also performed certain compliance procedures with respect to the requirements of sections 2, 3, 4 and 8 of the *Government Advertising Act, 2004*. These deal with submission requirements and prohibition on the use of items pending the Auditor General's review. We found no matters of concern in our review work.

Figure 1: Expenditures for Reviewable Advertisements and Printed Matter under the *Government Advertising Act, 2004*, April 1, 2011–March 31, 2012

Source of data: Ontario government offices

			Third-party Costs ($)				
Ministry/Campaign Title	**# of Submissions**	**# of Items**	**Agency Fees**	**Production**	**Talent**	**Bulk Mail**	**Other**
Aboriginal Affairs							
Infrastructure Signs	2	22	–	2,038	–	–	–
Agriculture, Food and Rural Affairs							
Foodland Ontario [1]	–	–	–	–	–	–	–
Good Things Grow in Ontario	4	64	177,623	109,286	227,789	–	158
Invest in Ontario [1]	–	–	–	–	–	–	–
Risk Management Programs [4]	2	12	–	–	–	–	–
Attorney General							
Notice to the Legal Profession	1	1	–	–	–	–	–
Notice to the Legal Profession [3]	–	1	–	–	–	–	–
Citizenship and Immigration							
Global Experience Ontario	2	2	–	–	–	–	40
Order of Ontario	1	23	3,488	–	–	–	220
Remembrance Day	1	8	1,111	–	–	–	184
Community and Social Services							
Social Service Contact Numbers [3]	–	1	–	–	–	–	–
Community Safety and Correctional Services							
Arrive Alive	1	1	–	–	–	–	–
Cyber Safety	1	1	–	18,000	–	–	–
RIDE [1]	–	–	–	–	–	–	–
RIDE [2]	1	8	–	–	27,415	–	612
Economic Development and Trade							
Business Immigration	3	13	13,912	3,400	–	–	401
Business Immigration [1]	–	–	–	–	–	–	–
Go North [1]	–	–	-340	959	–	–	191
Invest Ontario	4	26	54,629	3,146	6,000	–	17
Invest Ontario [1]	–	–	100,194	5,892	6,000	–	4,492
Ontario Exports	1	1	528	–	–	–	–
Ontario Exports [1]	–	–	11,106	72	–	–	–
Your Next Big Idea [2]	3	27	569,148	236,917	–	–	520
Your Next Big Idea [6]	1	1	–	–	–	–	–
Education							
Full-day Kindergarten	2	13	15,443	9,686	30,422	–	–
Full-day Kindergarten [1]	–	–	–	–	–	–	–

1. Reported in 2011, but more costs in 2012.
2. Reported in 2012, but more costs in 2013.
3. Contravention—ad was not submitted for review, but reported by Ministry.
4. Violation—ad was reviewed, but did not meet the required standards, then resubmitted and approved.
6. Contravention—ad was published before being reviewed, then submitted and approved.

Media Costs ($)				Ad Value†	Campaign
TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	–	–	–	2,038
2,954,708	329	–	20,581	–	2,975,618
322,181	740,793	380,823	517,474	–	2,476,127
–	–	7,938	–	–	7,938
–	92,648	40,163	–	–	132,811
–	–	1,827	–	–	1,827
–	–	3,574	–	–	3,574
–	–	1,250	–	248	1,538
–	–	140,582	–	–	144,290
–	–	30,174	–	–	31,469
–	–	2,052	–	–	2,052
–	–	1,831	–	–	1,831
55,334	–	–	–	–	73,334
-367	–	–	–	–	-367[a]
108,055	–	–	–	–	136,082
12,463	–	30,683	–	–	60,859
–	–	-10,202	–	–	-10,202[a]
–	–	-5,077	–	500	-3,767[a]
–	–	122,330	–	–	186,122
-1,941	–	71,910	–	–	186,547
–	–	–	–	5,500	6,028
–	–	11,439	–	–	22,617
–	–	5,125,369	336,034	–	6,267,988
–	–	–	–	–	–
953,954	–	–	–	–	1,009,505
-17,728	–	940	–	–	-16,788[a]

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event.

a. Negative total due to media credits being applied.

	# of	# of	Third-party Costs ($)				
Ministry/Campaign Title	**Submissions**	**Items**	**Agency Fees**	**Production**	**Talent**	**Bulk Mail**	**Other**
Energy							
Long-term Energy Plan [1]	–	–	–	–	–	–	–
Environment							
Protecting Ontario's Drinking Water	1	1	–	–	–	–	–
Finance							
Children's Activity Tax Credit [1]	–	–	–	–	–	–	–
Ontario Budget [1]	–	–	6,525	13,775	–	–	3,115
Ontario Savings Bonds [7]	3	32	403,260	491,638	92,414	–	10,465
Government Services							
Licence Plate Sticker Renewal	2	3	4,720	14,137	9,046	–	–
Postal Strike	1	2	–	–	–	–	771
ServiceOntario [1]	–	–	–	–	–	–	–
ServiceOntario Brand Awareness	3	32	165,012	493,875	46,287	–	3,708
ServiceOntario Offices	3	7	–	–	–	–	60
ServiceOntario Offices [2]	1	4	–	–	–	–	–
Health and Long-Term Care							
Breast Cancer Screening Expansion	3	24	–	77,863	–	–	18
Diabetes	4	28	–	2,300	–	–	4,000
Health Care Options	1	11	2,756	–	–	–	3,252
Health Care Options [5]	–	–	–	–	–	–	–
Health Care Options [1]	–	–	–	–	–	–	–
Healthy Smiles Ontario	1	2	5,270	197,874	–	–	–
Immunization – Rotavirus Vaccine [4]	2	4	4,250	8,590	9,625	–	567
MedsCheck for Diabetes Patients [1]	–	–	–	–	–	–	–
Public Information Session	1	1	350	1,010	1,000	–	50
Seasonal Flu	4	25	43,478	83,295	121,260	–	1,961
Seasonal Flu [1]	–	–	–	–	–	–	–
Stroke Warning Signs [2]	2	2	7,235	25,241	–	–	3,417
Trillium Gift of Life Network	4	18	79,231	312,430	82,628	–	3,102
Health Promotion and Sport							
Diabetes [1]	–	–	–	–	–	–	–
World Junior Baseball [1]	–	–	–	–	–	–	–
Labour							
Safe at Work Ontario	1	1	–	–	–	–	–
Employment Standards [1]	–	–	–	–	–	–	–

1. Reported in 2011, but more costs in 2012.
2. Reported in 2012, but more costs in 2013.
4. Violation—ad was reviewed, but did not meet the required standards, then resubmitted and approved.
5. Reported in 2011, but more costs in 2012—approval withdrawn.
7. Changes to the website after approval violated the Act, then corrected by Ministry.

Media Costs ($)				Ad Value† ($)	Campaign Total ($)
TV	Radio	Print	Out-of-Home*		
488,492	1,218,136	–	–	–	1,706,628
–	–	–	–	100	100
–	-2,077	264,334	–	–	262,257
–	–	–	–	–	23,415
791,971	157,326	671,932	–	–	2,619,006
–	9,865	8,742	6,037	–	52,547
–	–	93,932	–	–	94,703
–	–	17	–	–	17
1,569,587	–	361,306	–	–	2,639,775
–	–	5,416	–	–	5,476
–	–	–	–	–	–
–	–	764,796	–	–	842,677
–	–	860,062	–	3,250	869,612
–	112,022	–	–	–	118,030
1,583,001	–	–	–	–	1,583,001
–	–	–	186,614	–	186,614
–	–	196,912	–	–	400,056
–	375,880	–	–	–	398,912
–	-2,379	–	–	–	-2,379[a]
–	–	7,511	–	–	9,921
1,351,051	–	–	271,873	–	1,872,918
–	5,622	–	–	–	5,622
–	–	–	–	–	35,893
1,244,106	–	20,769	1,677,192	–	3,419,458
–	–	141,082	–	–	141,082
–	–	–	–	2,400	2,400
–	–	–	–	1,195	1,195
–	–	-7,260	–	–	-7,260[a]

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event.

a. Negative total due to media credits being applied.

	# of	# of	Third-party Costs ($)				
Ministry/Campaign Title	**Submissions**	**Items**	**Agency Fees**	**Production**	**Talent**	**Bulk Mail**	**Other**
Natural Resources							
Advisory Committee Seeks New Members	2	2	–	–	–	–	–
BearWise	1	16	–	5,154	–	–	4,080
FireSmart Wildfire Prevention [1]	–	–	–	–	–	–	–
FireSmart Wildfire Prevention [2]	1	14	–	–	–	–	–
Fish Art Contest	1	1	–	200	–	–	–
Ontario Parks	8	8	–	–	–	–	–
Ontario Parks [1]	–	–	–	375	–	–	–
Ontario Parks [2]	2	3	–	–	–	–	–
Outdoors Card Renewal	1	1	–	169	–	–	–
Shoreline Property Notices	2	2	–	–	–	–	–
Species at Risk	1	1	–	–	–	–	–
Wildlife Management	2	2	–	375	–	–	–
Wildfire Prevention [3]	–	12	–	–	–	–	–
Northern Development, Mines and Forestry							
Northern Ontario Energy Credit [1]	–	–	–	–	–	–	–
Northern Ontario Heritage Fund [1]	–	–	–	–	–	–	–
Revenue							
Tax Credits [1]	–	–	101,479	91,283	48,254	300,560	18,634
Tourism, Culture and Sport							
Fort William Historical Park	11	20	–	–	–	–	–
Fort William Historical Park [3]	–	16	–	–	–	–	–
Huronia Historical Parks	17	31	–	2,615	–	–	745
Huronia Historical Parks [3]	–	7	–	7,920	–	–	–
Training, Colleges and Universities							
Employment Ontario	2	2	–	–	–	–	–
Post-secondary Awareness and Public Education [1]	–	–	–	–	–	–	–
Study in Ontario [2]	1	1	–	–	–	–	–
Transportation							
Drive Safe	1	1	–	–	–	–	–
Veterans Graphic Licence Plates	1	3	8,000	770	6,729	–	–
Total	**121**	**565**	**1,778,408**	**2,220,285**	**714,869**	**300,560**	**64,780**

1. Reported in 2011, but more costs in 2012.
2. Reported in 2012, but more costs in 2013.
3. Contravention—ad was not submitted for review, but reported by Ministry.

Media Costs ($)				Ad Value†	Campaign
TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	1,359	–	–	1,359
15,580	–	84,538	6,921	–	116,273
–	–	4,515	–	–	4,515
–	–	–	–	–	–
–	–	–	–	8,350	8,550
–	–	29,758	–	628	30,386
–	–	40,600	–	–	40,975
–	–	–	–	–	–
–	–	–	–	14,560	14,729
–	–	1,506	–	–	1,506
–	–	1,108	–	–	1,108
–	–	–	–	12,860	13,235
–	78,024	–	–	–	78,024
–	102,113	–	–	–	102,113
–	–	–	–	6,024	6,024
1,144,300	–	704,151	–	–	2,408,661
–	8,722	32,739	64,113	–	105,574
–	20,330	67,870	–	–	88,200
35,342	29,918	42,569	–	–	111,189
–	–	1,469	20,650	–	30,039
–	–	–	–	50,000	50,000
-8	–	-10,374	–	–	-10,382[a]
–	–	15,228	–	1,200	16,428
–	–	5,000	–	–	5,000
535,933	–	10,465	–	–	561,897
13,146,014	**2,947,272**	**10,379,658**	**3,107,489**	**106,815**	**34,766,150**

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event.

a. Negative total due to media credits being applied.

Chapter 6

The Standing Committee on Public Accounts

Appointment and Composition of the Committee

Members of the Standing Committee on Public Accounts (Committee) are appointed by a motion of the Legislature. The number of members from any given party reflects that party's representation in the Legislative Assembly. All members except the Chair are entitled to vote on motions, while the Chair may vote only to break a tie. The Committee is normally established for the duration of the Parliament, from the opening of its first session immediately following a general election to its dissolution.

Following the October 2011 election of a minority Liberal government, agreement was reached on the Committee's membership in February 2012. In accordance with the Standing Orders of the Assembly, the Committee was appointed on February 23, 2012, with the following members:

Norm Miller, Chair, Progressive Conservative
Toby Barrett, Vice-chair, Progressive Conservative
France Gélinas, New Democrat
Phil McNeely, Liberal
Reza Moridi, Liberal
Jerry Ouellette, Progressive Conservative
Liz Sandals, Liberal
Jagmeet Singh, New Democrat
David Zimmer, Liberal

On September 10, 2012, in accordance with the February 23 motion, the Committee was dissolved. At the time this report was prepared, a motion had not yet been passed appointing the committee members for the fall 2012 session. The Legislature was prorogued on October 15, 2012.

Role of the Committee

The Committee is empowered to review and report to the House its observations, opinions and recommendations on reports from the Auditor General and on the Public Accounts, which are deemed to have been permanently referred to the Committee as they become available. The Committee examines, assesses and reports to the Legislative Assembly on a number of issues, including the economy and efficiency of government and broader-public-sector operations and the effectiveness of programs in achieving their objectives. The Committee typically holds a number of hearings throughout the year relating to matters raised in our Annual Report or our special reports and presents its observations and recommendations to the Legislative Assembly. Under sections 16 and 17 of the *Auditor General Act*, the Committee may also request that the Auditor General examine any matter in respect of the Public Accounts or undertake a special assignment on its behalf.

AUDITOR GENERAL'S ADVISORY ROLE WITH THE COMMITTEE

In accordance with section 16 of the *Auditor General Act*, the Auditor General and senior staff attend all committee meetings to assist the Committee with its reviews and hearings relating to our Annual Report, Ontario's Public Accounts and any special reports issued by our Office.

Committee Procedures and Operations

The Committee may meet weekly when the Legislative Assembly is sitting, and, with the approval of the House, at any other time of its choosing. All meetings are open to the public except for those dealing with the Committee's agenda or the preparation of its reports. All public committee proceedings are recorded in Hansard, the official verbatim report of government debates, speeches and other Legislative Assembly proceedings.

The Committee identifies matters of interest from our Annual Report or our special reports and conducts hearings on them. It typically focuses on reports from the value-for-money chapter of our Annual Report for review. For example, each of the three political parties normally selects three audits or other sections from our Annual Report for the Committee to review.

At each hearing, the Auditor General, along with the Committee's researcher, briefs the Committee on the applicable report section and the responses to our findings and recommendations from the ministry, Crown agency or organization in the broader public sector that was the subject of the audit. The Committee typically asks senior officials from the auditee(s) to appear at the hearings and respond to questions from committee members. Because our Annual Report deals with operational, administrative and financial rather than policy matters, ministers are rarely asked to attend. Once its hearings are completed, the Committee provides its comments and recommendations to the Legislative Assembly.

The Clerk of the Committee also requests that those auditees that were not selected for hearings update the Committee on what actions they are taking to address the concerns raised and recommendations made in our reports.

MEETINGS HELD

The Committee met 20 times during the February 2012–September 2012 period. Almost all of these meetings were related to our Office's March 2012 special report, *Ornge Air Ambulance and Related Services*, and included a number of sessions where witnesses were called and questioned. The remaining meetings were either administrative in nature or related to a motion filed by one of the committee members requesting that our Office examine certain Ontario Power Authority contracts. In its final meeting on September 5, 2012, the Committee passed a related motion requesting that our Office examine the contract between the Ontario Power Authority and Greenfield South Power Corporation/Eastern Power Limited regarding the cost to taxpayers of the cancelled Mississauga gas plant project. We plan to issue a Special Report on the results of this work in 2013.

REPORTS OF THE COMMITTEE

The Committee issues reports and letters on its work for tabling in the Legislative Assembly. These reports and letters summarize the information gathered by the Committee during its meetings and include the Committee's comments and recommendations. Once tabled, all committee reports and letters are publicly available through the Clerk of the Committee or online at **www.ontla.on.ca**.

Committee reports typically include recommendations and request that management of the Ministry, agency or broader-public-sector organization provide the Committee Clerk with responses within a stipulated time frame. Our Office reviews these recommendations and responses, and we take them into consideration in any subsequent follow-up section or audits of that operational area.

Since its appointment in February 2012, the Committee focused almost exclusively on matters relating to our special report, *Ornge Air Ambulance and Related Services*, and these hearings were still ongoing when the Committee was dissolved in September 2012. No committee reports had been issued as of that time, but during the period from February through September 2012, the Committee did table two items with the Legislature, both requesting a Speaker's Warrant for the appearance of Dr. Chris Mazza at the hearings on our Ornge special report.

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial and territorial public accounts committees from across Canada. CCPAC holds a joint annual conference with the Canadian Council of Legislative Auditors to discuss issues of mutual interest.

The 33rd annual conference was hosted by Nunavut and was held in Iqaluit from August 19 to 21, 2012.

Chapter 7

The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money and financial audits and reviews and reporting on them. By doing this, the Office helps the Legislative Assembly hold the government, its administrators and grant recipients accountable for how prudently they spend public funds and for the value they obtain, on behalf of Ontario taxpayers, for the money spent.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and deciding whether or not to approve certain types of proposed government advertising (see Chapter 5 for more details on the Office's advertising review function). Both acts can be found at **www.e-laws.gov.on.ca**.

In an election year, the Auditor General is also required to review the reasonableness of the government's pre-election report on its expectations for the financial performance of the province over the next three fiscal years. The government's most recent pre-election report was issued on April 26, 2011, and the results of our review were released on June 28, 2011.

General Overview

VALUE-FOR-MONEY AUDITS IN THE ANNUAL REPORT

About two-thirds of the Office's work relates to value-for-money auditing. The Office's value-for-money audits are assessments of how well a given "auditee" (the entity that we audit) manages and administers its programs or activities. And while auditors typically focus on the numbers, value-for-money audits delve into the underlying operations to assess the level of services being delivered to the public and the relative cost-effectiveness of these services. The Office has the authority to conduct value-for-money audits of the following entities:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations; and
- organizations in the broader public sector that receive government grants (for example, hospitals, universities, community colleges, school boards, long-term-care homes, children's aid societies and agencies that provide mental-health services).

The *Auditor General Act* (Act) identifies the broad criteria to be considered in this assessment:

- Money should be spent with due regard for economy.

- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that, if the Auditor General observes instances where the three value-for-money criteria have not been met, he or she report on them. More specific criteria that relate directly to the operations of the particular ministry, program or organization being audited are also developed for each value-for-money audit.

The Act also requires that the Auditor report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained or the rules and procedures applied were not sufficient to:
  - safeguard and control public property;
  - check effectively the assessment, collection and proper allocation of revenue; or
  - ensure that expenditures were made only as authorized.
- Money was expended other than for the purposes for which it was appropriated.

Assessing the extent to which the auditee was controlling against these risks is technically "compliance" audit work but is generally incorporated into both value-for-money audits and "attest" audits (discussed in a later section). Other compliance work that is typically included in our value-for-money audits is:

- identifying the key provisions in legislation and the authorities that govern the auditee or the auditee's programs and activities as well as those that the auditee's management is responsible for administering; and
- performing the tests and procedures we deem necessary to obtain reasonable assurance that the auditee's management has complied with these key legislation and authority requirements.

Government programs and activities are the result of government policy decisions. Thus, we could say that our value-for-money audits focus on how well management is administering and executing government policy decisions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, it is the Legislative Assembly that holds the government accountable for policy matters. The Legislative Assembly continually monitors and challenges government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

In planning, performing and reporting on our value-for-money work, we follow the relevant professional standards established by the Canadian Institute of Chartered Accountants. These standards require that we have processes for ensuring the quality, integrity and value of our work. Some of the processes we use are described below.

Selecting What to Audit

The Office audits major ministry programs and activities at approximately five- to seven-year intervals. We do not audit organizations in the broader public sector and Crown-controlled corporations on the same cycle because there are such a great number of them and their activities are so numerous and diverse. Since our mandate expanded in 2004 to allow us to audit these entities, our audits have covered a wide range of topics in several sectors, including health (hospitals, long-term-care homes, and mental-health service providers), education (school boards, universities and colleges) and social services (Children's Aid societies and social service agencies), as well as several large Crown-controlled corporations.

In selecting what program, activity or organization to audit each year, we consider how great the risk is that an auditee is not meeting the three legislated value-for-money criteria. To help us choose higher-risk audits, we consider factors such as:

- the results of previous audits and related follow-ups;
- the total revenues or expenditures involved;
- the impact of the program, activity or organization on the public;
- the complexity and diversity of the auditee's operations;
- recent significant changes in the auditee's operations; and
- the significance of the issues an audit might identify.

We also consider whether the benefits of conducting the audit justify its costs.

Another factor we take into account in the selection process is what work the auditee's internal auditors have completed or planned. Depending on that work, we may defer an audit or change our audit's scope to avoid duplication of effort. In other cases, we do not diminish the scope of our audit but rely on and present the results of internal audit work in our audit report.

Setting Audit Objectives, Audit Criteria and Assurance Levels

When we begin an audit, we set an objective for what we want to achieve. We then develop suitable audit criteria that cover the key systems, policies and procedures that should be in place and operating effectively. Developing criteria involves extensively researching sources such as recognized bodies of experts; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; applicable criteria successfully applied in other audits or reviews; and applicable laws, regulations and other authorities.

To further ensure their suitability, the criteria we develop are discussed with the senior management responsible for the program or activity at the planning stage of the audit.

The next step is designing and conducting tests and procedures to address our audit objective and criteria, so that we can reach a conclusion regarding our audit objective and make observations and recommendations. Each audit report has a section entitled "Audit Objective and Scope," in which the audit objective is stated and the scope of our work is explained.

Conducting tests and procedures to gather information has its limitations. We therefore cannot provide what is called an "absolute level of assurance" that our audit work identifies all significant matters. Other factors also contribute to this. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring—but auditee management or staff might be able to circumvent such control systems, so we cannot guarantee that the problem will never arise. Also, much of the evidence available for concluding on our objective is more persuasive than it is conclusive, and we must rely on professional judgment in much of our work—for example, in interpreting information.

For all these reasons, the assurance that we plan for our work to provide is at an "audit level"—the highest reasonable level of assurance that we can obtain using our regular audit procedures. Specifically, an audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary because we are examining a highly technical area, obtaining expert assistance and advice.

With respect to the information that management provides, under the Act we are entitled to have access to all relevant information and records necessary to the performance of our duties. Out of respect for the principle of Cabinet privilege, we do not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our responsibilities under the Act.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information management provides; and only limited examination and testing of systems, procedures and transactions. We perform reviews when, for example, providing a higher level of assurance has prohibitive costs or is unnecessary, the *Auditor General Act* does not allow for a certain program or activity to be audited or other factors relating to the nature of the program or activity make a review more appropriate than an audit. In the 2011 audit year, we conducted a review of the electricity sector's stranded debt, which complemented our related value-for-money audits of renewable energy initiatives and regulatory oversight of the electricity sector. In 2009, we conducted a review of the unfunded liability of the Workplace Safety and Insurance Board that was well received by the Standing Committee on Public Accounts, and the Committee has shown an ongoing interest in the actions being taken to reduce that liability. This year, we reviewed the process used to review and approve the province's annual expenditure Estimates and researched other jurisdictions' estimates oversight practices.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit or review. Early in the process, our staff meet with management to discuss the objective and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with the auditee's senior management. The auditee's management provides written responses to our recommendations, and these are discussed and incorporated into the draft report. The Auditor General finalizes the draft report (on which the Chapter 3 section of the Annual Report will be based) with the deputy minister or head of the agency, corporation or grant-recipient organization, after which the report is published in the Annual Report.

SPECIAL REPORTS

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Legislative Assembly at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts may resolve that the Auditor General must examine and report on any matter respecting the Public Accounts. Under section 17, the Legislative Assembly, the Standing Committee on Public Accounts or a minister of the Crown may require that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties. In addition, if a minister requests such an assignment, the Auditor General can decline or delay conducting the work if he or she believes it conflicts with other duties.

In recent years, when we have received a special request under section 16 or 17, our normal practice has been to obtain the requester's agreement that the special report will be tabled in the Legislature on completion and made public at that time.

In 2011, one of the audits that we had initiated using our risk-based selection criteria—Ornge Air Ambulance and Related Services—was delayed due to challenges in finalizing the report with the auditee. The Minister requested that on completion we table the report in the Legislative Assembly as a special report, which we did in March 2012.

ATTEST AUDITS

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses his or her opinion on whether the financial statements present information on the auditee's operations and financial position in a way that is fair and that complies with certain accounting policies (in most cases, with Canadian generally accepted accounting principles). As mentioned in the overview of value-for-money audits, compliance audit work is often incorporated into attest audit work. Specifically, we assess the controls for managing risks relating to improperly kept accounts; unaccounted-for public money; lack of recordkeeping; inadequate safeguarding of public property; deficient procedures for assessing, collecting and properly allocating revenue; unauthorized expenditures; and not spending money on what it is intended for.

The Auditees

Every year, we audit the financial statements of the province and the accounts of many agencies of the Crown. Specifically, the Act [in subsections 9(1), (2), and (3)] requires that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms that are appointed to be the auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General; and
- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Chapter 2 discusses this year's attest audit of the province's consolidated financial statements.

We do not discuss the results of attest audits of agencies and Crown-controlled corporations in this report. Agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditor's reports and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

Where an agency attest audit notes areas where management must make improvements, the auditor prepares a draft findings report and discusses it with senior management. The report is revised to reflect the results of that discussion. After the draft report is cleared and the agency's senior management responds to it in writing, the auditor prepares a final report, which is discussed with the agency's audit committee if one exists. If a matter is so significant that we feel it should be brought to the attention of the Legislature, we include it in our Annual Report.

Exhibit 1, Part 1 lists the agencies that were audited during the 2011/12 audit year. The Office currently contracts with public accounting firms to audit a number of these agencies on the Office's behalf. Exhibit 1, Part 2 and Exhibit 2, respectively, list the agencies of the Crown and the Crown-controlled corporations that public accounting firms audited directly during the 2011/12 audit year.

OTHER STIPULATIONS OF THE *AUDITOR GENERAL ACT*

The *Auditor General Act* came about with the passage, on November 22, 2004, of Bill 18, the *Audit Statute Law Amendment Act*, which received Royal Assent on November 30, 2004. The purpose of Bill 18 was to make certain amendments to the

Audit Act to enhance the ability of the Office to serve the Legislative Assembly. The most significant amendment contained in Bill 18 was the expansion of the Office's value-for-money audit mandate to organizations in the broader public sector that receive government grants. This *2012 Annual Report* marks the seventh year of our expanded audit mandate.

Appointment of Auditor General

Under the Act, the Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on the advice of the Executive Council (the Cabinet). The appointment is made "on the address of the Assembly," meaning that the appointee must be approved by the Legislative Assembly. The Act also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Legislative Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 6). In the selection of the last two Auditors General, an open competitive selection process was conducted, with representatives from the three major political parties sitting on the selection committee. The committee then made its recommendation to the Legislative Assembly.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the Office's expenditures relating to the 2011/12 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office are submitted to the Board and subsequently must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this chapter.

CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Auditor General Act*, do not have to be laid before the Legislative Assembly or any of its committees. As well, because our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, our draft reports and audit working papers, which include all information obtained during the course of an audit from the auditee, cannot be accessed from our Office, thus further ensuring confidentiality.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence and integrity in their work.

The Code explains why these expectations exist and further describes the Office's responsibilities to the Legislative Assembly, the public and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration and undergo a police security check on hiring and every five years thereafter.

Office Organization and Personnel

The Office is organized into portfolio teams—a framework that attempts to align related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the Directors, and the Managers of Human Resources and of Communications and Government Advertising Review make up the Office's Senior Management Committee.

Canadian Council of Legislative Auditors

This year, Nunavut hosted the 40th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Iqaluit, from August 19 to 21, 2012. This annual gathering has, for a number of years, been held jointly with the annual conference of the Canadian Council of Public Accounts Committees. It brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government and the provinces and territories, and provides a useful forum for sharing ideas and exchanging information.

International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with visitors and delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences with them. During the audit year covered by this report, the Office met with several delegations from other countries. In the last few years, delegations from China have been the most frequent visitors. The Office also participated in a staff exchange with the Auditor General of Tasmania.

Results Produced by the Office This Year

The 2011/12 fiscal year was another successful year for the Office. In total, we conducted 12 value-for-money audits, issued a special report under section 17 on Ornge Air Ambulance and Related Services, and reviewed the Legislature's process for reviewing the province's annual Expenditure Estimates. This year our value-for-money audits in the broader public sector examined aspects of a number of provincially funded agencies such as Cancer Care Ontario's cancer screening programs, Metrolinx's rapid transit plan implementation, services provided by independent health facilities, the long-term-care home placement process, youth justice service providers, and teaching quality at universities. In addition, we examined a variety of government activities also of importance to Ontarians, including education of Aboriginal students, the Ontario Diabetes

Figure 1: Office Organization, September 30, 2012

Auditor General

Jim McCarter

Deputy Auditor General

Gary Peall

Human Resources

Annemarie Wiebe, Manager
Shayna Whiteford

Quality Assurance and Special Projects

Paul Amodeo, Manager
Kristin Snowden, Manager
Shariq Saeed

Standards and Research

Rebecca Yosipovich, Manager

Operations

Administration
- Maureen Bissonnette
- Sohani Myers
- Shanta Persaud
- Christine Wu

Communications and Government Advertising Review
- Christine Pedias, Manager
- Mariana Green
- Shirley McGibbon
- Tiina Randoja

Information Technology
- Shams Ali
- Peter Lee

Financial Statement Audit Portfolios and Staff*

Crown Agencies (1), Finance

John McDowell, Director
Walter Allan, Manager
Tom Chatzidimos
Kandy Fletcher
Mary Romano
Megan Sim

Crown Agencies (2)

Laura Bell, Director
Teresa Carello, Manager
Izabela Beben
Margaret Chen
Constantino De Sousa
Roger Munroe
Zachary Thomas
Cynthia Tso

Public Accounts

Bill Pelow, Director
Allen Fung
Georgegiana Tanudjaja

Value-for-money Audit Portfolios and Staff*

Community and Social Services, and Revenue

Vanna Gotsis, Director
Sandy Chan, Manager
Tino Bove
Inna Guelfand
Michael Okulicz
Zhenya Stekovic
Janet Wan

Education and Training

Gerard Fitzmaurice, Director
Emanuel Tsikritsis, Manager
Tara Beheshti
Johan Boer
Zahra Jaffer
Rumi Janmohamed
Michael Katsevman
Nina Khant
Mythili Pratheeskar
Mark Smith
Ellen Tepelenas
Dora Ulisse

Environment and Natural Resources

Gus Chagani, Director
Kim Cho, Manager
Nick Stavropoulos, Manager
Bartosz Amerski
Marcia DeSouza
Katrina Exaltacion
Lauren Hanna
Kristy Ho
Li-Lian Koh
Shreya Shah
Alexander Truong
Jing Wang

Health

Rudolph Chiu, Director
Gigi Yip, Manager
Denise Young, Manager
Ariane Chan
Anita Cheung
Helen Chow
Lisa Li
Oscar Rodriguez
Alla Volodina

Health and Long-term-care Providers

Susan Klein, Director
Wendy Cumbo, Manager
Naomi Herberg, Manager
Kevin Aro
Sally Chang
Dimitar Dimitrov
Jennifer Fung
Ingrid Goh
Veronica Ho
Linde Qiu
Tiffany Yau

Justice and Regulatory

Vince Mazzone, Director
Rick MacNeil, Manager
Fraser Rogers, Manager
Vivian Sin, Manager
Rashmeet Gill
Kiran Grewal
Tanmay Gupta
Alfred Kiang
Margaret Lam
Wendy Ng
Alice Nowak
Ruchir Patel
Brian Wanchuk
Robyn Wilson
Michael Yarmolinsky
Celia Yeung

* Staff below manager level shift between portfolios to address seasonal financial statement audit workload pressures.

Strategy, the Drive Clean Program, the collection of overdue taxes, the Criminal Law Division of the Ministry of the Attorney General, and aspects of the Ontario Provincial Police services.

As mentioned in the earlier Attest Audits section, we are responsible for auditing the province's consolidated financial statements (further discussed in Chapter 2), as well as the statements of more than 40 Crown agencies. We again met all of our key financial-statement audit deadlines while continuing our investment in training to successfully implement significant revisions to accounting and assurance standards and methodology for conducting our financial-statement audits.

We successfully met our review responsibilities under the *Government Advertising Act, 2004*, as further discussed in Chapter 5.

The results produced by the Office this year would clearly not have been possible without the hard work and dedication of our staff, as well as that of our agent auditors, contract staff and expert advisers.

Financial Accountability

The following discussion and our financial statements reproduced at the end of this chapter outline the Office's financial results for the 2011/12 fiscal year. This year our financial statements have been prepared in accordance with public-sector accounting standards. In accordance with these standards we have presented for the first time a breakdown of our expenses by the four main activities our Office is responsible for: value-for-money audits, financial statement audits, our review of the government's 2011 pre-election report (as described earlier in this chapter, the Auditor General is required to review the reasonableness of the government's pre-election report in an election year, which 2011 was) and our government advertising review responsibilities. This breakdown is provided in note 10 to the financial statements and indicates that almost two-thirds of our resources were used to perform value-for-money audits, the activity that is of most interest to the Standing Committee on Public Accounts. About 30% was devoted to completing the audits of the annual financial statements of the province and some 40 of its agencies. The remaining 3% was devoted to the other two statutory responsibilities. These percentages changed only slightly from 2011, mostly because we diverted some value-for-money resources to help complete the review of the pre-election report early in the 2011/12 fiscal year.

Figure 2 provides a comparison of our approved budget and expenditures over the last five years.

Figure 2: Five-year Comparison of Spending (Accrual Basis) ($ 000)

Prepared by the Office of the Auditor General of Ontario

	2007/08	2008/09	2009/10	2010/11	2011/12
Approved budget	**15,308**	**16,245**	**16,224**	**16,224**	**16,224**
Actual expenses					
Salaries and benefits	9,999	10,279	10,862	11,228	11,039
Professional and other services	1,525	1,776	1,489	1,491	1,667
Rent	1,048	1,051	1,069	1,036	1,016
Travel and communications	397	332	360	337	303
Other	1,033	1,096	1,073	1,071	1,216
Total	**14,002**	**14,534**	**14,853**	**15,163**	**15,241**
Returned to province*	**1,608**	**1,561**	**1,498**	**1,222**	**997**

* These amounts are typically slightly different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets, deferred lease inducements and employee future benefit accruals).

Figure 3 presents the major components of our spending and shows that more than 72% (74% in 2010/11) related to salary and benefit costs for our staff, while professional and other services and rent comprised most of the remainder. These proportions have been relatively stable in recent years.

Overall, our expenses increased just 0.5% (2.1% in 2010/11) and were again significantly under budget. Our budget has been frozen over the last four years, yet we have successfully delivered on our Office's mandate while returning unspent funds totalling $5.3 million. The main reason for our ability to come in under budget is that we have historically faced challenges in hiring and retaining qualified professional staff in the competitive Toronto job market—our public-service salary ranges have simply not kept pace with compensation increases for such professionals in the private sector. In addition, we have been reluctant to fully staff up given the tight fiscal circumstances the province faces.

A more detailed discussion of the changes in our expenses and some of the challenges we are facing follows.

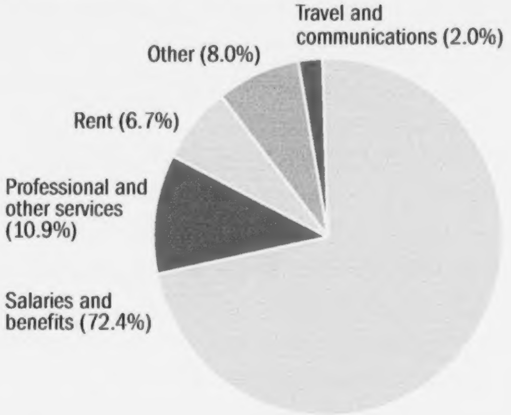
SALARIES AND BENEFITS

Our salary costs declined 3.2% this year while benefit costs rose 5.2% from the previous year.

With the legislated freeze on salary ranges again this year, any increases due to promotions earned by trainees who obtained their professional accounting designations during the year and for those staff demonstrating the ability to take on additional responsibilities were more than offset by delays in replacing retiring and departing staff. As well, parental leaves and severance payments to retirees this year, while lowering salary costs, increased both our benefit costs and our need for contract professional services to fill in. We continue to employ fewer student trainees, as many of our trainees earned their professional accounting designation during the year and remained with us. To be competitive, we must pay our newly qualified staff considerably more than they were paid as trainees. Salaries for qualified accountants rise fairly quickly in the first five years following qualification.

Figure 3: Spending by Major Expenditure Category, 2011/12

Prepared by the Office of the Auditor General of Ontario

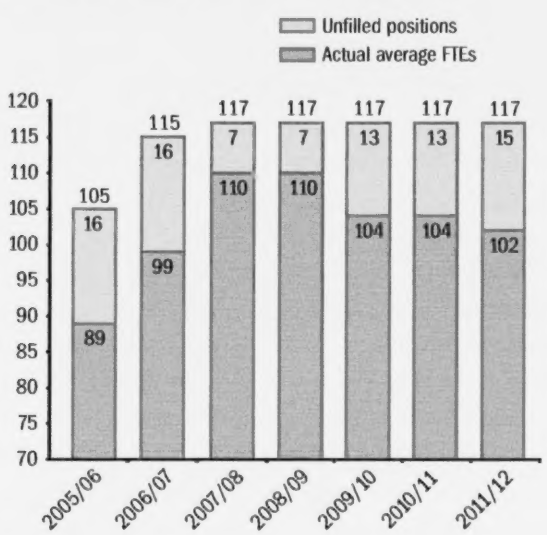


With the economic uncertainty and the continuing need for cost containment, we remained cautious about staffing up when staff departed, delaying the replacement of retiring senior staff and hiring experienced but more junior staff as opportunities arose. As a result, our average staffing over the course of this year declined to about 102, down from 104 in the previous year. Staff departures continue as the market for professional accountants has remained fairly robust despite economic uncertainties. Our hiring continues to be primarily at more junior levels, given that our salaries and benefits are competitive at these levels. We quickly fall behind private- and broader-public-sector salary scales for more experienced professional accountants. This is one reason that, as Figure 4 shows, we still have a number of unfilled positions. The growing complexity of our audits demands that we use highly qualified, experienced staff as much as possible. The challenge of maintaining and enhancing our capacity to perform these audits will only increase as more of our most experienced staff retire over the next few years.

Under the Act, our salary levels must be comparable to the salary ranges of similar positions in the

Figure 4: Staffing, 2005/06–2011/12

Prepared by the Office of the Auditor General of Ontario



government. These ranges remain uncompetitive with the salaries that both the not-for-profit and the private sectors offer. According to the most recent survey by the Canadian Institute of Chartered Accountants published in 2011, average salaries for CAs in government ($111,200) were 14% lower than those in the not-for-profit sector ($129,900) and, most importantly, 26% lower than those working for professional service CA firms ($150,400), which are our primary competitors for professional accountants. The salaries of our highest-paid staff in the 2011 calendar year are disclosed in Note 8 to our financial statements.

PROFESSIONAL AND OTHER SERVICES

These services include both contract professionals and contract CA firms and represent our next most significant area of expenditure at almost 11% of total expenditures. Such costs were higher than last year due to an increase in parental leaves requiring contract fill-ins as well as the purchase of IT consulting expertise to enhance the Office's IT infrastructure.

We continue to have to rely on contract professionals to meet our legislated responsibilities given more complex work and tight deadlines for finalizing the financial-statement audits of Crown agencies and the province. We also believe that using more contract staff to fill temporary needs, such as for parental leaves, is a prudent approach to staffing, particularly during uncertain economic times, in that it provides more flexibility and less disruption if significant in-year cuts to our budget are requested. Also, even during the economic downturn it has remained difficult for us to reach our approved full complement given our uncompetitive salary levels, particularly for professionals with several years of post-qualifying experience. Further, after four years of budget freezes we can no longer realistically afford to staff up to our approved complement of 117 staff.

We continue to incur higher contract costs for CA firms we work with because of the higher salaries they pay their staff and the additional hours required to implement ongoing changes to accounting and assurance standards. We continue to test the market for such services as contracts expire.

RENT

Our costs for accommodation were again slightly less than last year, owing primarily to a decline in building operating costs, particularly utilities. Accommodation costs declined as a percentage of total spending and will decline further because the Office aggressively negotiated a rent reduction as part of the lease renewal terms commencing in the fall of 2011.

TRAVEL AND COMMUNICATIONS

Our travel and communications costs declined more than 10% from last year. The value-for-money audits we selected generally required less travel than usual. Last year, three audits required extensive travel: Forest Management Program, Supportive Services for People with Disabilities, and Student Success Initiatives. In general, however, we have been incurring significantly more travel costs since the expansion of our mandate to audit broader-public-sector organizations.

OTHER

Other costs include asset amortization, supplies and equipment maintenance, training and statutory expenses. Such costs were 13.5% higher than last year, primarily due to contract staff and specialist expertise we hired to complete our statutory review of the 2011 *Pre-Election Report on Ontario's Finances*, which we reported on in June 2011. We also spent $70,000 more on supplies and equipment, primarily for additional IT support licences and audit software licences as we phase in the implementation of electronic working papers. Training expenses increased $35,000 to help our staff and the agencies we audit prepare for the transition to new financial reporting frameworks. These increases were partially offset by reductions in expert advisory services required to administer the *Government Advertising Act, 2004*, as the volume of ads requiring their review declined this year. Smaller changes in expenses for the Auditor General's salary, the transfer payment to CCAF and equipment amortization were largely offsetting.

FINANCIAL STATEMENTS

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian public sector accounting principles.

Management maintains a system of internal controls that provides reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and the financial information contained in these financial statements is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Jim McCarter, FCA
Auditor General
August 17, 2012

Peall

Gary R. Peall, CA
Deputy Auditor General
August 17, 2012

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

ADAMS & MILES LLP
Chartered Accountants

501-2550 Victoria Park Ave.
Toronto, ON M2J 5A9
Tel 416 502.2201
Fax 416 502.2210

200-195 County Court Blvd.
Brampton, ON L6W 4P7
Tel 905 459.5605
Fax 905 459.2893

INDEPENDENT AUDITORS' REPORT

To the Board of Internal Economy of
Legislative Assembly of Ontario

We have audited the accompanying financial statements of the Office of the Auditor General of Ontario, which comprise the statement of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010 and the statements of operations and accumulated deficit and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Auditor General of Ontario's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2012, March 31, 2011, and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Adams & Miles LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
August 17, 2012

www.adamsmiles.com

An independent firm associated
with AGN International Ltd.

Office of the Auditor General of Ontario

Statement of Financial Position
As at March 31, 2012

	March 31, 2012 $	March 31, 2011 (Note 12) $	April 1, 2010 (Note 2) $
Financial assets			
Cash and cash equivalents	290,695	500,170	370,802
Harmonized sales taxes recoverable	122,604	128,927	–
Due from Consolidated Revenue Fund	237,316	49,194	754,098
Lease inducement receivable (Note 11)	322,225	–	–
	972,840	678,291	1,124,900
Liabilities			
Accounts payable and accrued liabilities (Note 2)	1,647,041	1,739,291	2,129,900
Deferred lease inducement (Note 11)	308,799	–	–
Accrued employee benefits obligation [Note 6(B)]	2,172,000	1,988,000	1,922,000
	4,127,840	3,727,291	4,051,900
Net financial debt	(3,155,000)	(3,049,000)	(2,927,000)
Non-financial assets			
Tangible capital assets (Note 4)	593,979	501,904	540,543
Accumulated deficit (Note 2)	(2,561,021)	(2,547,096)	(2,386,457)

Commitments (Note 7)
Measurement uncertainty (Note 3(E))

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

Jim McCarter, FCA
Auditor General

Peall

Gary Peall, CA
Deputy Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2012 and March 31, 2011

	2012 Budget (Unaudited –Note 13) $	2012 Actual $	2011 Actual (Note 12) $
Expenses			
Salaries and wages	9,755,400	8,953,561	9,245,160
Employee benefits (Notes 2 & 6)	2,041,200	2,085,050	1,982,895
Office rent	1,062,400	1,016,280	1,035,522
Professional and other services	1,714,500	1,666,589	1,490,944
Amortization of capital assets	—	324,489	339,316
Travel and communication	418,800	303,072	337,301
Training and development	378,600	165,152	130,700
Supplies and equipment	377,500	208,311	136,574
Transfer payment: CCAF-FCVI Inc.	73,000	72,989	61,775
Statutory expenses: *Auditor General Act*	222,700	246,575	229,147
Government Advertising Act	30,000	10,942	65,060
Statutory services	150,000	187,582	108,434
Total expenses (Notes 9 & 10)	16,224,100	15,240,592	15,162,828
Revenue			
Consolidated Revenue Fund – Voted appropriation [Note 3(B)]	16,224,100	16,224,100	16,224,100
Excess of appropriation over expenses		983,508	1,061,272
Less: returned to the Province [Note 3(B)]		997,433	1,221,911
Net operations deficiency		(13,925)	(160,639)
Accumulated deficit, as restated, beginning of year (Note 2)		(2,547,096)	(2,386,457)
Accumulated deficit, end of year		(2,561,021)	(2,547,096)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows
For the Year Ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Net inflow (outflow) of cash related to the following activities:		
Operating transactions		
Net operations deficiency	(13,925)	(160,639)
Amortization of capital assets	324,489	339,316
Accrued employee benefits obligation	184,000	66,000
	494,564	244,677
Changes in non-cash working capital		
Decrease (increase) in due from Consolidated Revenue Fund	(188,122)	704,904
Increase in lease inducement receivable	(322,225)	—
Decrease (increase) in harmonized sales taxes recoverable	6,323	(128,927)
Decrease in accounts payable and accrued liabilities	(92,250)	(390,609)
Increase in deferred lease inducement	308,799	—
	(287,475)	185,368
Cash provided by operating transactions	207,089	430,045
Capital transactions		
Purchase of tangible capital assets	(416,564)	(300,677)
Investing transactions	—	—
Financing transactions	—	—
Increase (decrease) in cash and cash equivalents	(209,475)	129,368
Cash and cash equivalents, beginning of year	500,170	370,802
Cash and cash equivalents, end of year	290,695	500,170

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

As required by the *Fiscal Transparency and Accountability Act, 2004*, in June 2011 the Auditor General also reported on the 2011 Pre-Election Report prepared by the Ministry of Finance.

2. Conversion to Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Office of the Auditor General of Ontario ("Office") has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which the Office has applied Canadian public sector accounting standards.

One adjustment to previously reported figures resulted from the adoption of these accounting standards. Previously, the Office did not record an obligation for future employee benefits related to compensated absences under the Management Compensation Option ("MCO"). PSA standards require that a liability and an expense be recognized for post-employment benefits and compensated absences earned in the period in which employees render services to the Office in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated unused MCO credits and has been applied retroactively with restatement of prior periods.

The resulting increase to accounts payable and accrued liabilities at April 1, 2010 was $209,000. Employee benefits expense decreased by $5,000 for fiscal 2010/2011 and accounts payable and accrued liabilities recorded at March 31, 2011 decreased to $204,000. The impact of the conversion to PSA standards on the accumulated deficit at March 31, 2011 and the comparative accumulated deficit is presented below.

	2011 $	2010 $
Accumulated deficit as originally reported, beginning of year	(2,343,096)	(2,177,457)
Increase to accumulated deficit from recording unused MCO credits	(204,000)	(209,000)
Accumulated deficit as restated, beginning of year	(2,547,096)	(2,386,457)

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the voted appropriation is prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets, the deferral and amortization of lease inducements and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

(C) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Amortization of tangible capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

(D) FINANCIAL INSTRUMENTS

The Office's financial assets and financial liabilities are accounted for as follows:

- Cash and cash equivalents is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due from Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued employee benefits obligation is recorded at cost based on the entitlements earned by employees up to March 31, 2012. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made as it is not expected that there would be a significant difference from the recorded amount.

It is management's opinion that the Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies (Continued)

(E) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of capital assets and accrued employee benefits obligation.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Tangible Capital Assets

	Computer hardware $	Computer software $	Furniture and Fixtures $	Leasehold Improvements $	Total $
Cost					
Opening balance, April 1, 2011	597,134	340,833	378,491	235,868	1,552,325
Additions	243,826	49,072	9,711	113,955	416,564
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Closing balance, March 31, 2012	687,370	352,985	211,914	349,823	1,602,092
Accumulated amortization					
Opening balance, April 1, 2011	397,966	147,169	294,185	211,101	1,050,421
Amortization	159,472	100,245	34,307	30,465	324,489
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Closing balance, March 31, 2012	403,848	210,495	152,204	241,566	1,008,113
Net Book Value, March 31, 2012	283,522	142,490	59,710	108,257	593,979

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

4. Tangible Capital Assets (Continued)

	Computer hardware $	Computer software $	Furniture and Fixtures $	Leasehold Improvements $	Total $
Cost					
Opening balance, April 1, 2010	585,915	230,634	364,666	235,868	1,417,083
Additions	106,293	180,559	13,825	—	300,677
Disposals	(95,074)	(70,361)	—	—	(165,435)
Closing balance, March 31, 2011	597,134	340,832	378,491	235,868	1,552,325
Accumulated amortization					
Opening balance, April 1, 2010	337,310	140,165	237,499	161,566	876,540
Amortization	155,730	77,365	56,686	49,535	339,316
Disposals	(95,074)	(70,361)	—	—	(165,435)
Closing balance, March 31, 2011	397,966	147,169	294,185	211,101	1,050,421
Net Book Value, March 31, 2011	199,168	193,663	84,306	24,767	501,904

5. Accounts Payable and Accrued Liabilities

	March 31, 2012 $	March 31, 2011 (restated – Note 2) $	April 1, 2010 (restated – Note 2) $
Accounts payable	254,757	308,990	351,607
Accrued salaries and benefits	409,284	369,301	773,293
Accrued severance, vacation and MCO credits	983,000	1,061,000	1,005,000
	1,647,041	1,739,291	2,129,900

Accounts payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and benefits are recorded based on employment arrangements and legislated entitlements.

6. Obligation for Future Employee Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

6. Obligation for Future Employee Benefits (Continued)

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payments of $719,119 (2011 - $732,873), are included in employee benefits expense in the Statement of Operations and Accumulated Deficit.

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance, compensated absences and unused vacation entitlements earned by employees are recognized by the Province when earned by eligible employees, these costs are also recognized in these financial statements. These costs for the year amounted to $274,000 (2011 – $225,000) and are included in employee benefits in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

	2012 $	2011 (restated – Note 2) $
Total liability for severance, vacation and MCO credits	3,155,000	3,049,000
Less: Due within one year and included in accounts payable and accrued liabilities	983,000	1,061,000
Accrued employee benefits obligation	2,172,000	1,988,000

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

7. Commitments

The Office has an operating lease to rent premises which expires on October 31, 2021. The minimum rental commitment for the remaining term of the lease is as follows:

	$
2012–13	483,000
2013–14	488,400
2014–15	495,900
2015–16	501,300
2016–17	508,800
2017–18 and beyond	2,412,000

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

8. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of the salary and benefits paid to all Ontario public-sector employees earning an annual salary in excess of $100,000. This disclosure for the 2011 calendar year is as follows:

Name	Position	Salary $	Taxable Benefits $
McCarter, Jim	Auditor General	219,397	4,871
Peall, Gary	Deputy Auditor General	167,076	250
Bell, Laura	Director	114,606	171
Bordne, Walter	Director	131,000	196
Chagani, Gus	Director	114,606	171
Chiu, Rudolph	Director	131,000	196
Fitzmaurice, Gerard	Director	131,000	196
Gotsis, Vanna	Director	106,218	160
Klein, Susan	Director	131,000	196
Mazzone, Vince	Director	131,000	196
McDowell, John	Director	131,000	196
Pelow, William	Director	107,644	162
Allan, Walter	Audit Manager	105,986	159
Amodeo, Paul	Audit Manager	100,542	169
Carello, Teresa	Audit Manager	105,986	159
Chan, Sandy	Audit Manager	105,986	159
Cumbo, Wendy	Audit Manager	105,986	159
Herberg, Naomi	Audit Manager	105,986	159
MacNeil, Richard	Audit Manager	105,986	159
Rogers, Fraser	Audit Manager	105,986	159
Stavropoulos, Nick	Audit Manager	105,986	159
Tsikritsis, Emanuel	Audit Manager	105,986	159
Young, Denise	Audit Manager	105,986	159
Pedias, Christine	Manager, Corporate Communications and Government Advertising Review	100,658	145
Wiebe, Annemarie	Manager, Human Resources	105,986	159

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

9. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for preparation of the Estimates submitted for approval to the Board of Internal Economy, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued employee future benefit costs and deferred lease inducement recognized in these financial statements. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2012	2011 (restated – Note 2)
	$	$
Total expenses per Public Accounts Volume 1	15,240,093	15,002,189
purchase of capital assets	(416,564)	(300,677)
amortization of capital assets	324,489	339,316
change in accrued future employee benefit costs	106,000	122,000
amortization of deferred lease inducement	(13,426)	—
	499	160,639
Total expenses per audited financial statements	15,240,592	15,162,828

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

10. Expenses by Activity

	2012				
	Salaries & Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,417,946	2,233,192	265,415	9,916,553	65.1
Financial Statement audits	3,355,738	1,445,314	24,657	4,825,709	31.7
Pre Election Report	143,502	46,781	131,756	322,039	2.1
Government Advertising	121,425	31,595	23,271	176,291	1.1
	11,038,611	3,756,882	445,099	15,240,592	100.0
%	72.4	24.7	2.9	100	

	2011				
	Salaries & Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,837,182	2,076,615	284,827	10,198,624	67.3
Financial Statement audits	3,222,451	1,414,654	22,915	4,660,020	30.7
Pre Election Report	33,684	6,330	18,382	58,396	.4
Government Advertising	134,737	34,534	76,517	245,788	1.6
	11,228,054	3,532,133	402,641	15,162,828	100.0
%	74.0	23.3	2.7	100	

Expenses have been allocated to the Office's four main activities based primarily on the hours charged to each activity as recorded by staff in the Office's time accounting system, including administrative time and overhead costs that could not otherwise be identified with a specific activity. Expenses incurred for only one activity, such as most travel costs and professional services, are allocated to that activity based on actual billings.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2012 and March 31, 2011

11. Deferred Lease Inducement and Receivable

As part of the lease arrangements for its office premises, the Office negotiated a lease inducement of $322,225 to be applied to future accommodation costs. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced November 1, 2011.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Budgeted Figures

Budgeted figures were approved by the Board of Internal Economy. It is presented for information purposes only and has not been audited.

Exhibit 1

Agencies of the Crown

1. Agencies whose accounts are audited by the Auditor General

Agricorp
Algonquin Forestry Authority
Cancer Care Ontario
Centennial Centre of Science and Technology
Chief Electoral Officer, *Election Finances Act*
Election Fees and Expenses, *Election Act*
Financial Services Commission of Ontario
Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat and Canola
Investor Education Fund, Ontario Securities Commission
Legal Aid Ontario
Liquor Control Board of Ontario
Livestock Financial Protection Board, Fund for Livestock Producers
Northern Ontario Heritage Fund Corporation
Office of the Assembly
Office of the Children's Lawyer
Office of the Environmental Commissioner
Office of the Information and Privacy Commissioner
Office of the Ombudsman
Ontario Clean Water Agency (December 31)*
Ontario Development Corporation
Ontario Educational Communications Authority
Ontario Electricity Financial Corporation
Ontario Energy Board
Ontario Financing Authority
Ontario Food Terminal Board
Ontario Heritage Trust
Ontario Immigrant Investor Corporation
Ontario Media Development Corporation
Ontario Mortgage and Housing Corporation
Ontario Northland Transportation Commission
Ontario Place Corporation (December 31)*
Ontario Racing Commission
Ontario Securities Commission
Pension Benefits Guarantee Fund, Financial Services Commission of Ontario
Province of Ontario Council for the Arts
Provincial Advocate for Children and Youth
Provincial Judges Pension Fund, Provincial Judges Pension Board
Public Guardian and Trustee for the Province of Ontario

2. Agencies whose accounts are audited by another auditor under the direction of the Auditor General

Motor Vehicle Accident Claims Fund
Niagara Parks Commission (October 31)*
St. Lawrence Parks Commission
Workplace Safety and Insurance Board (December 31)*

---

* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Exhibit 2

Crown-controlled Corporations

Corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents

Agricultural Research Institute of Ontario
Board of Funeral Services
Brock University Foundation
Central Community Care Access Centre
Central East Community Care Access Centre
Central East Local Health Integration Network
Central Local Health Integration Network
Central West Community Care Access Centre
Central West Local Health Integration Network
Champlain Community Care Access Centre
Champlain Local Health Integration Network
Deposit Insurance Corporation of Ontario (December 31)*
Echo: Improving Women's Health in Ontario
Education Quality and Accountability Office
eHealth Ontario
Erie St. Clair Community Care Access Centre
Erie St. Clair Local Health Integration Network
Foundation at Queen's University at Kingston
Hamilton Niagara Haldimand Brant Community Care Access Centre
Hamilton Niagara Haldimand Brant Local Health Integration Network
HealthForceOntario Marketing and Recruitment Agency
Higher Education Quality Council of Ontario
Human Rights Legal Support Centre
Hydro One Inc. (December 31)*
Independent Electricity System Operator (December 31)*
McMaster University Foundation
McMichael Canadian Art Collection
Metrolinx
Metropolitan Toronto Convention Centre Corporation
Mississauga Halton Community Care Access Centre
Mississauga Halton Local Health Integration Network
Municipal Property Assessment Corporation
North East Community Care Access Centre
North East Local Health Integration Network
North Simcoe Muskoka Community Care Access Centre
North Simcoe Muskoka Local Health Integration Network
North West Community Care Access Centre
North West Local Health Integration Network
Ontario Agency for Health Protection and Promotion
Ontario Capital Growth Corporation
Ontario French-language Educational Communications Authority
Ontario Health Quality Council
Ontario Infrastructure and Lands Corporation
Ontario Lottery and Gaming Corporation
Ontario Pension Board (December 31)*
Ontario Power Authority (December 31)*
Ontario Power Generation Inc. (December 31)*

---

* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Ontario Tourism Marketing Partnership Corporation
Ontario Trillium Foundation
Ottawa Convention Centre Corporation
Owen Sound Transportation Company Limited
Royal Ontario Museum
Science North
South East Community Care Access Centre
South East Local Health Integration Network
South West Community Care Access Centre
South West Local Health Integration Network
Toronto Central Community Care Access Centre
Toronto Central Local Health Integration Network
Toronto Islands Residential Community Trust Corporation
Toronto Waterfront Revitalization Corporation
Trent University Foundation
Trillium Gift of Life Network
University of Ottawa Foundation
Walkerton Clean Water Centre
Waterfront Regeneration Trust Agency
Waterloo Wellington Community Care Access Centre
Waterloo Wellington Local Health Integration Network

Exhibit 3

Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended. These are outlined in the following table. Although ministries may track expenditures related to these orders in more detail by creating accounts at the sub-vote and item level, this schedule summarizes such expenditures at the vote and item level.

Ministry	Date of Order	Authorized ($)	Expended ($)
Aboriginal Affairs	May 19, 2011	3,000,000	–
	May 20, 2011	300,000	300,000
	Jun 16, 2011	5,718,600	5,718,600
	Jun 16, 2011	286,500	286,500
	Feb 15, 2012	21,801,400	21,797,092
	Mar 22, 2012	601,000	406,240
		31,707,500	**28,508,432**
Agriculture, Food and Rural Affairs	Jun 16, 2011	11,172,100	–
	Jul 14, 2011	4,000,000	–
	Jul 15, 2011	800,000	–
	Aug 11, 2011	13,402,800	–
	Aug 17, 2011	500,000	–
	Dec 14, 2011	4,000,000	4,000,000
	Feb 15, 2012	3,497,700	–
	Mar 13, 2012	11,000,000	4,875,024
		48,372,600	**8,875,024**
Attorney General	Apr 14, 2011	2,700,000	–
	Jun 16, 2011	20,100,000	–
	Mar 22, 2012	3,139,400	3,139,400
	Mar 22, 2012	23,028,600	17,517,124
		48,968,000	**20,656,524**
Cabinet Office	Jul 29, 2011	**1,000,000**	**–**

Ministry	Date of Order	Authorized ($)	Expended ($)
Children and Youth Services	May 19, 2011	8,190,000	7,952,253
	Jun 16, 2011	1,800,000	–
	Jul 14, 2011	1,545,000	–
	Aug 11, 2011	1,360,000	–
	Aug 19, 2011	4,950,800	–
	Mar 14, 2012	6,746,500	–
		24,592,300	**7,952,253**
Citizenship and Immigration	May 17, 2011	687,500	687,500
	Aug 11, 2011	12,000,000	8,937,305
	Mar 22, 2012	266,600	266,600
	Mar 30, 2012	2,218,800	2,182,459
		15,172,900	**12,073,864**
Community and Social Services	Aug 22, 2011	642,100	634,183
	Mar 19, 2012	4,250,000	1,967,622
		4,892,100	**2,601,805**
Community Safety and Correctional Services	Mar 22, 2012	74,393,700	71,406,605
	Apr 11, 2012	3,730,000	2,705,155
		78,123,700	**74,111,760**
Economic Development and Trade	Apr 19, 2012	229,800	229,800
	Apr 19, 2012	29,900,000	17,392,207
		30,129,800	**17,622,007**
Education	May 19, 2011	1,710,200	–
	Aug 11, 2011	60,800	–
	Dec 8, 2011	51,500	–
	Mar 19, 2012	1,556,200	–
	Mar 19, 2012	2,000,000	–
	Mar 22, 2012	1,600,000	863,214
		6,978,700	**863,214**
Energy	Aug 9, 2011	3,874,600	3,874,600
	Aug 15, 2012	190,000,000	166,365,451
		193,874,600	**170,240,051**
Environment	May 19, 2011	700,000	659,962
	Jul 14, 2011	15,000,000	5,808,966
	Jul 14, 2011	3,675,000	1,419,858
	Mar 22, 2012	13,965,400	13,787,865
		33,340,400	**21,676,651**
Finance	Aug 9, 2011	3,000,000	–
	Jan 29, 2012	3,228,700	1,234,189
	Feb 13, 2012	809,900	–
	Mar 22, 2012	13,608,100	–
		20,646,700	**1,234,189**

Exhibit 3

Ministry	Date of Order	Authorized ($)	Expended ($)
Government Services	Jun 16, 2011	1,324,400	670,797
	Jul 14, 2011	821,400	821,400
	Aug 9, 2011	238,000	–
	Aug 11, 2011	67,400	–
	Feb 15, 2012	550,000	550,000
	Mar 2, 2012	1,724,000	288,662
	Mar 5, 2012	3,325,200	3,325,200
		8,050,400	**5,656,059**
Health and Long-Term Care	Aug 11, 2011	2,000,000	–
	Oct 31, 2011	3,512,800	3,145,897
	Feb 6, 2012	8,290,500	5,824,478
	Feb 15, 2012	1,791,017,500	1,744,746,316
	Mar 19, 2012	1,105,600	–
	Mar 22, 2012	90,744,200	77,509,270
	Apr 19, 2012	2,000,000	–
		1,898,670,600	**1,831,225,961**
Health Promotion and Sport	Aug 9, 2011	5,000,000	–
	Aug 9, 2011	3,000,000	–
	Mar 19, 2012	29,629,800	20,644,554
		37,629,800	**20,644,554**
Infrastructure	Jun 16, 2011	36,440,000	–
	Aug 17, 2011	52,000,000	–
	Mar 22, 2012	20,413,900	–
	Apr 19, 2012	2,650,000	–
		111,503,900	**–**
Labour	Feb 7, 2012	**752,000**	**287,814**
Municipal Affairs and Housing	Aug 11, 2011	1,000,000	1,000,000
	Aug 22, 2011	5,000,000	5,000,000
	Mar 22, 2012	3,015,000	2,776,101
	Apr 19, 2012	753,000	752,707
		9,768,000	**9,528,808**
Natural Resources	Aug 11, 2011	2,000,000	2,000,000
	Aug 11, 2011	175,000,000	138,091,753
	Aug 11, 2011	3,150,000	–
	Apr 19, 2012	6,106,400	6,097,324
		186,256,400	**146,189,077**
Northern Development, Mines and Forestry	Apr 14, 2011	13,900,000	13,900,000
	Jul 14, 2011	4,500,000	585,074
	Aug 11, 2011	21,000,000	12,691,079
	Dec 8, 2011	792,000	602,853
	Mar 22, 2012	450,000	–
		40,642,000	**27,779,006**

Ministry	Date of Order	Authorized ($)	Expended ($)
Research and Innovation	Aug 11, 2011	**45,000,000**	**44,997,983**
Revenue	Nov 22, 2011	10,000,000	10,000,000
	Jan 29, 2012	10,866,000	9,680,393
	Jan 29, 2012	34,894,700	7,168,166
	Feb 13, 2012	2,182,600	–
	Feb 15, 2012	13,682,600	–
		71,625,900	**26,848,559**
Tourism and Culture	Jul 14, 2011	3,500,000	2,192,105
	Jul 14, 2011	2,500,000	–
	Jul 14, 2011	3,000,000	3,000,000
	Jul 14, 2011	4,000,000	–
	Aug 11, 2011	400,000	400,000
	Aug 11, 2011	2,000,000	2,000,000
	Aug 11, 2011	8,000,000	8,000,000
	Aug 11, 2011	2,500,000	2,500,000
	Aug 11, 2011	2,100,000	868,562
	Aug 17, 2011	380,000	380,000
	Mar 19, 2012	5,164,800	5,164,800
	Mar 22, 2012	200,000	200,000
	Apr 13, 2012	8,418,900	7,872,916
		42,163,700	**32,578,383**
Training, Colleges and Universities	Jul 14, 2011	2,000,000	1,935,317
	Aug 11, 2011	1,101,700	1,101,700
	Aug 11, 2011	8,000,000	–
	Aug 19, 2011	6,000,000	6,000,000
	Dec 8, 2011	53,000,000	8,789,742
	Feb 15, 2012	26,000,000	–
	Feb 15, 2012	6,000,000	6,000,000
	Mar 19, 2012	451,000	–
	Mar 22, 2012	1,984,000	1,155,210
	Mar 22, 2012	2,500,000	2,500,000
	Mar 22, 2012	2,600,000	–
	Mar 22, 2012	500,000	–
		110,136,700	**27,481,969**
Transportation	Aug 17, 2011	8,549,000	–
	Feb 15 2012	1,000,000	–
	Mar 19, 2012	585,000	–
	Mar 22, 2012	6,500,000	2,400,477
		16,634,000	**2,400,477**
Total Treasury Board Orders		**3,116,632,700**	**2,542,034,424**